

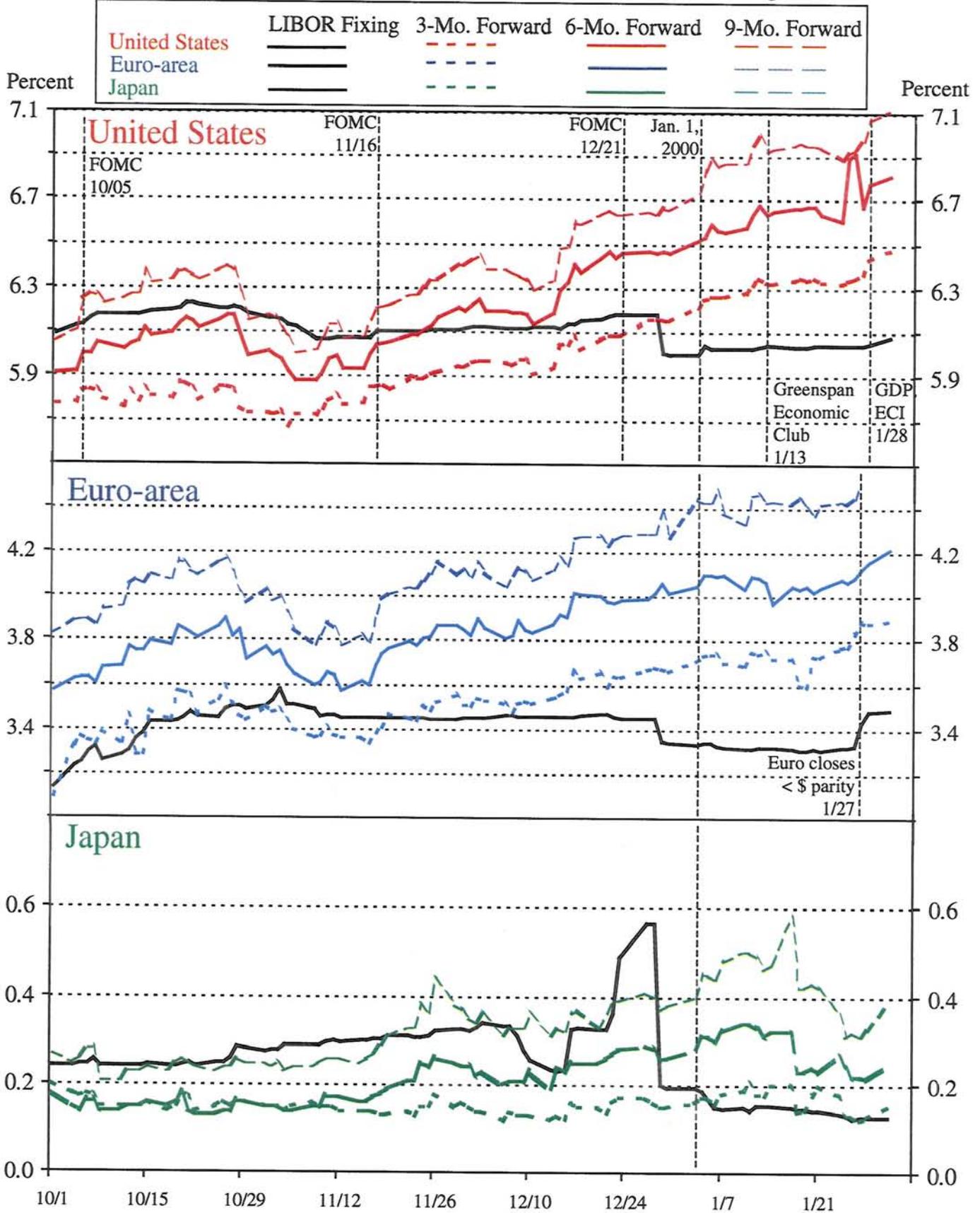
APPENDIX 1

Charts used by Mr. Fisher.

# 3-Month Deposit Rates

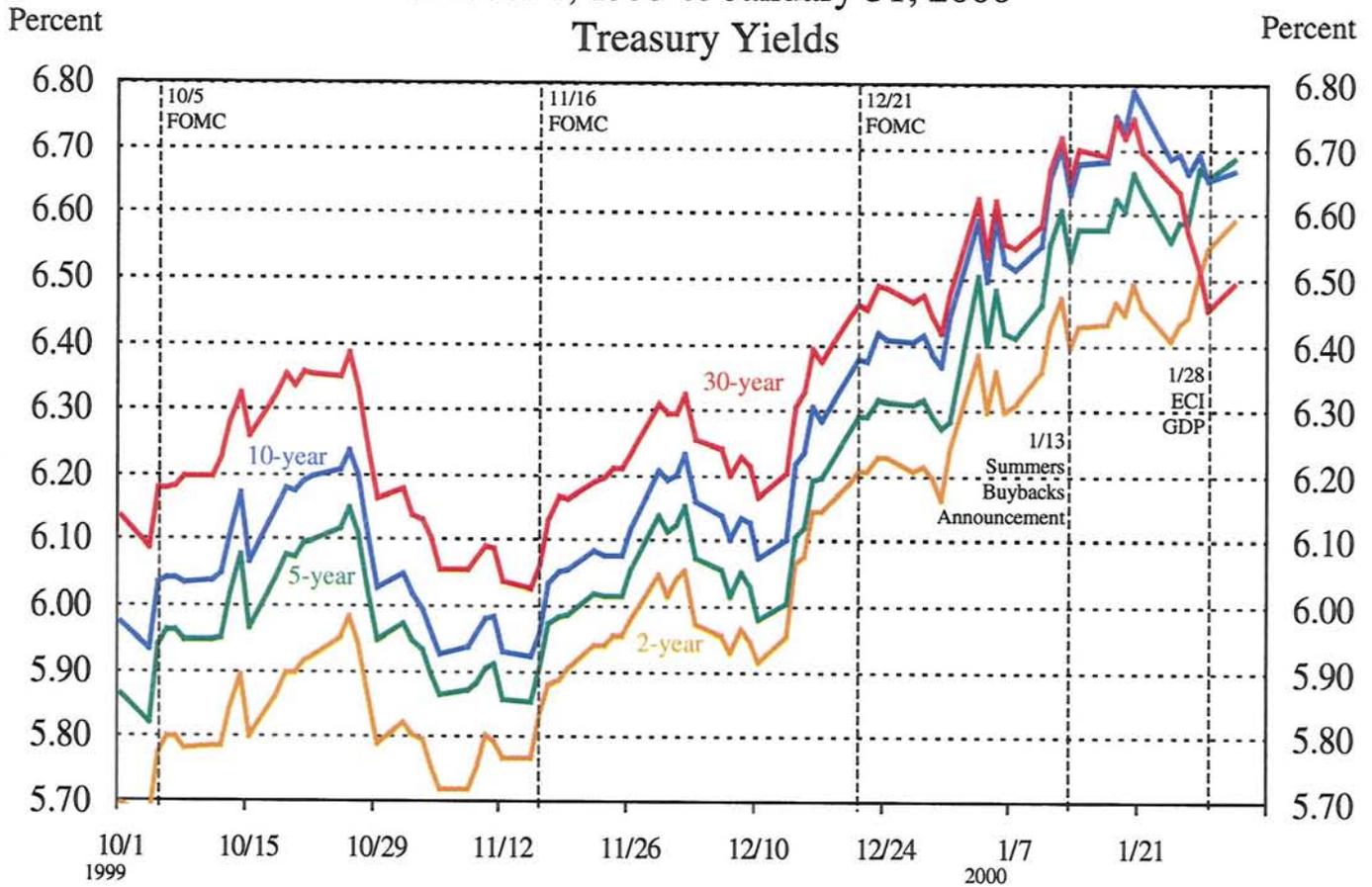
October 1, 1999 - January 31, 2000

Current Euro-Deposit Rate and Rates Implied by Traded Forward Rate Agreements



### October 1, 1999 to January 31, 2000

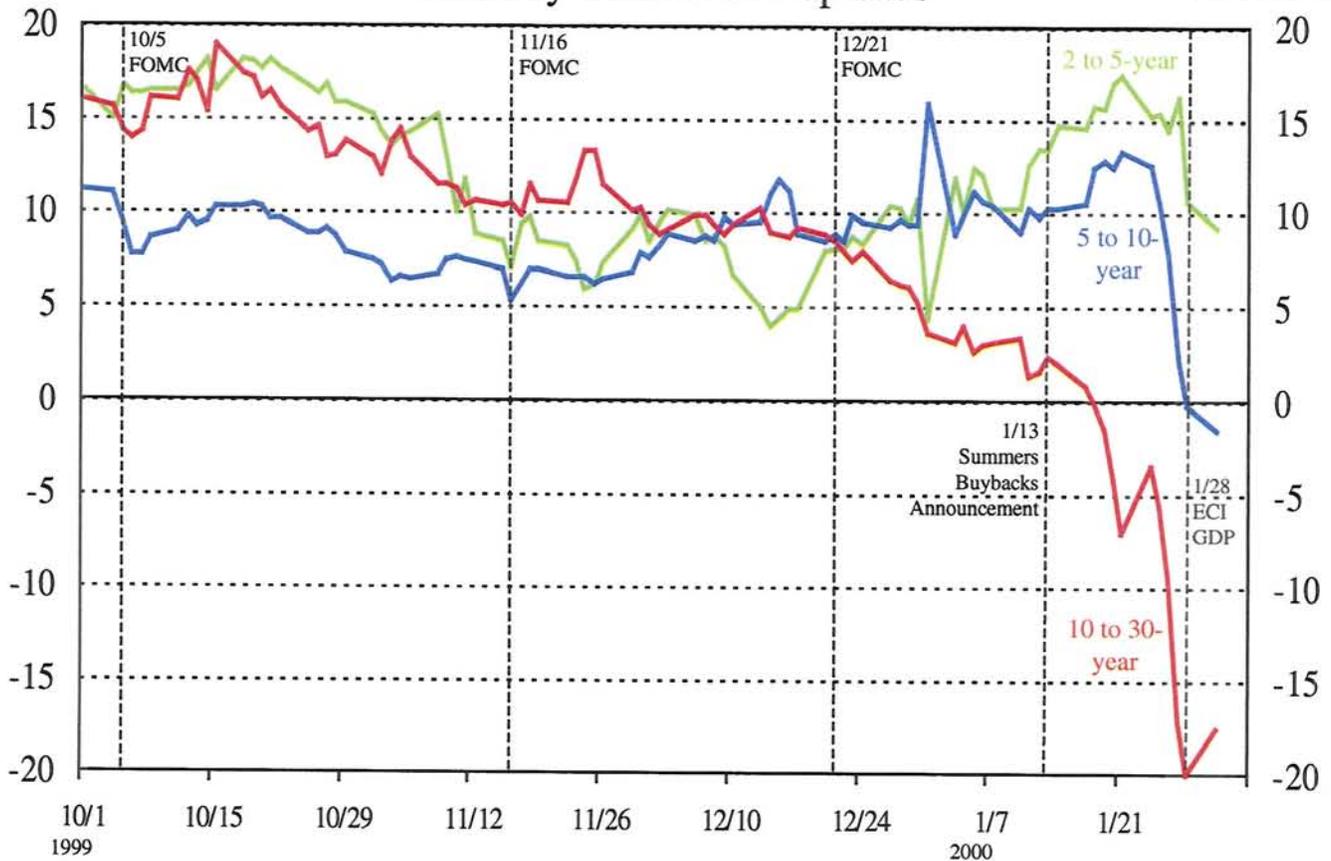
### Treasury Yields



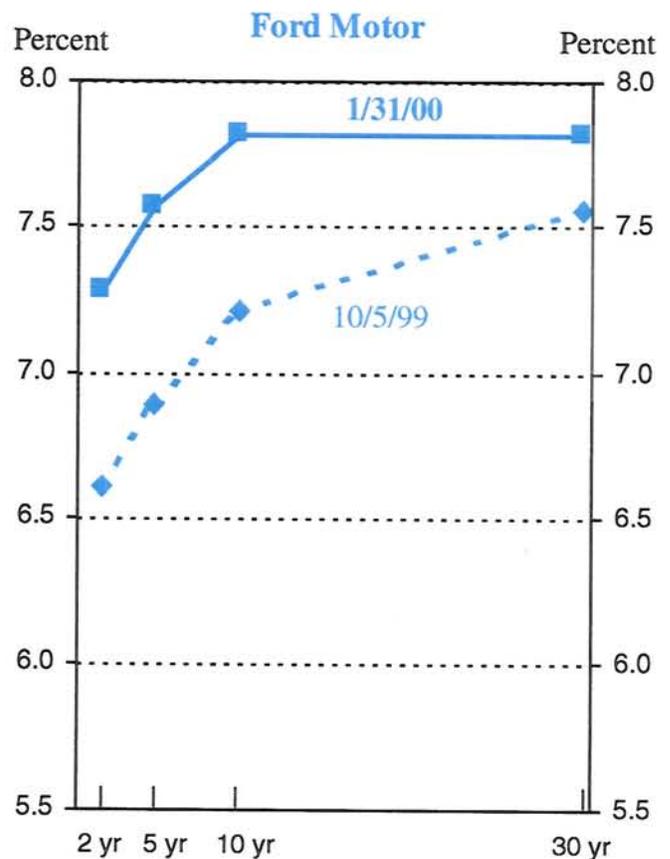
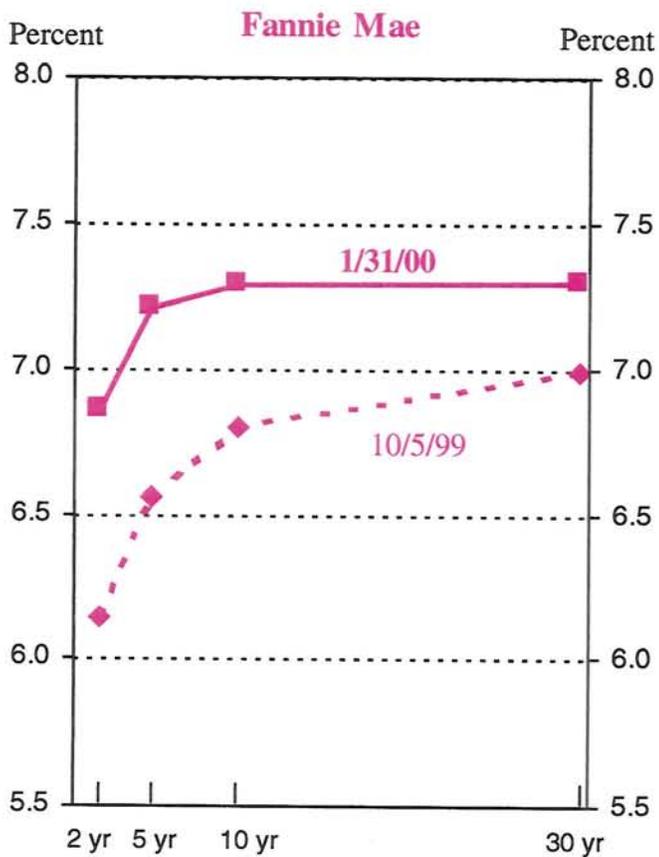
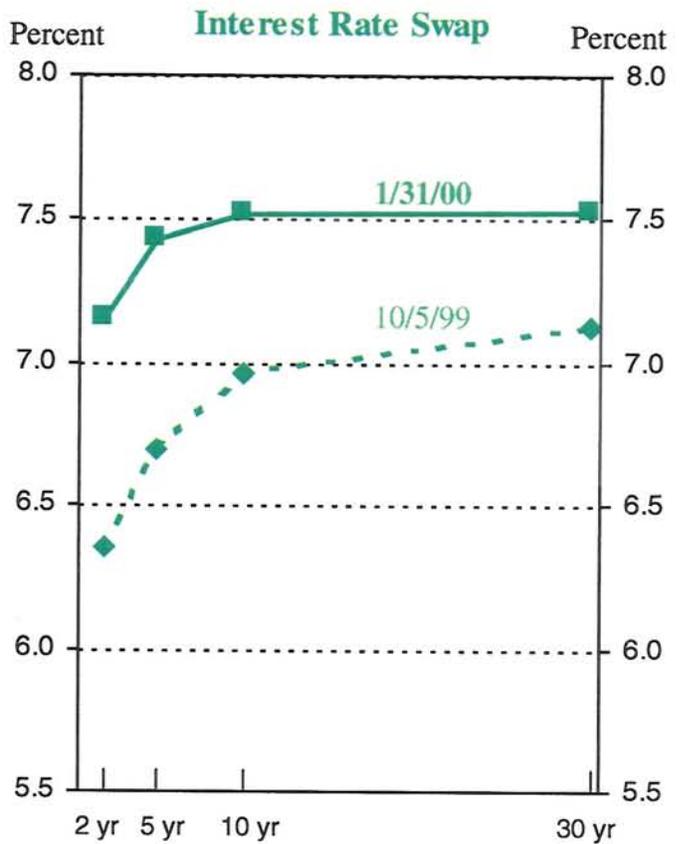
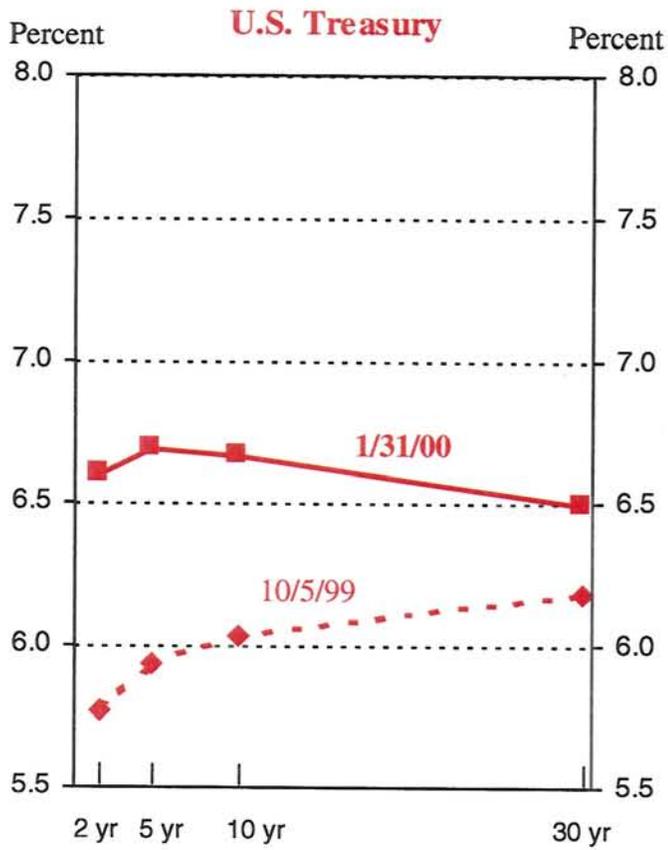
Basis Points

### Treasury Yield Curve Spreads

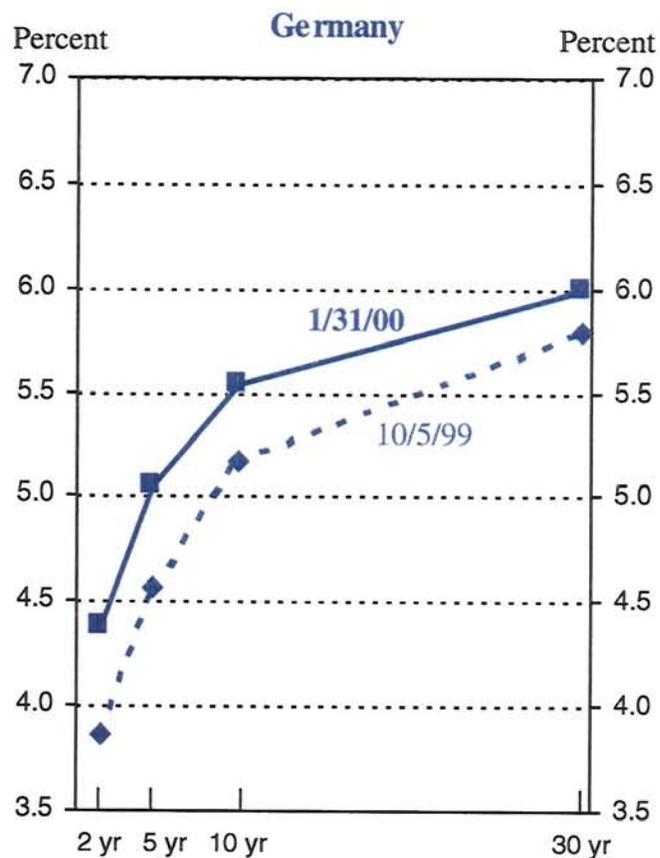
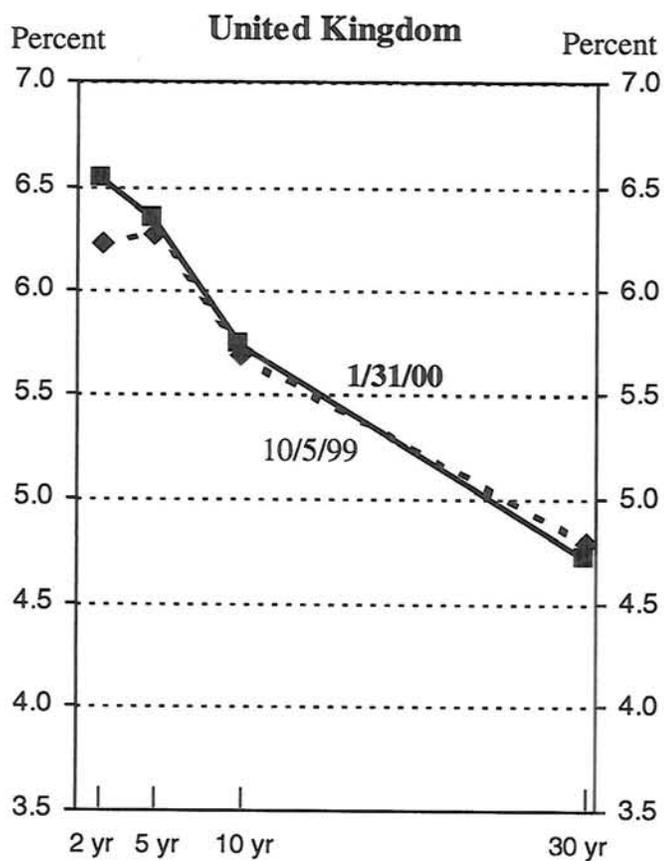
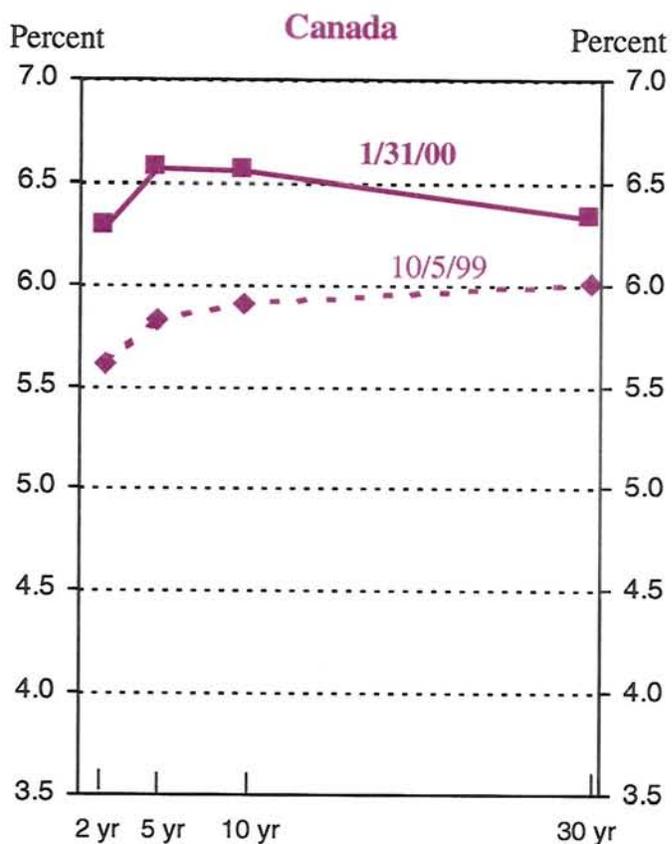
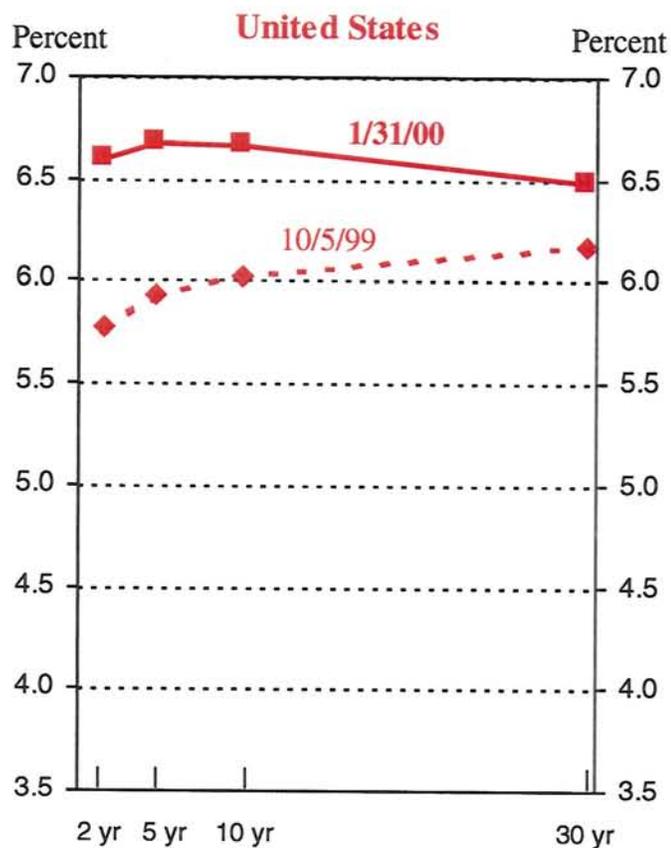
Basis Points



# Domestic Yield Curves

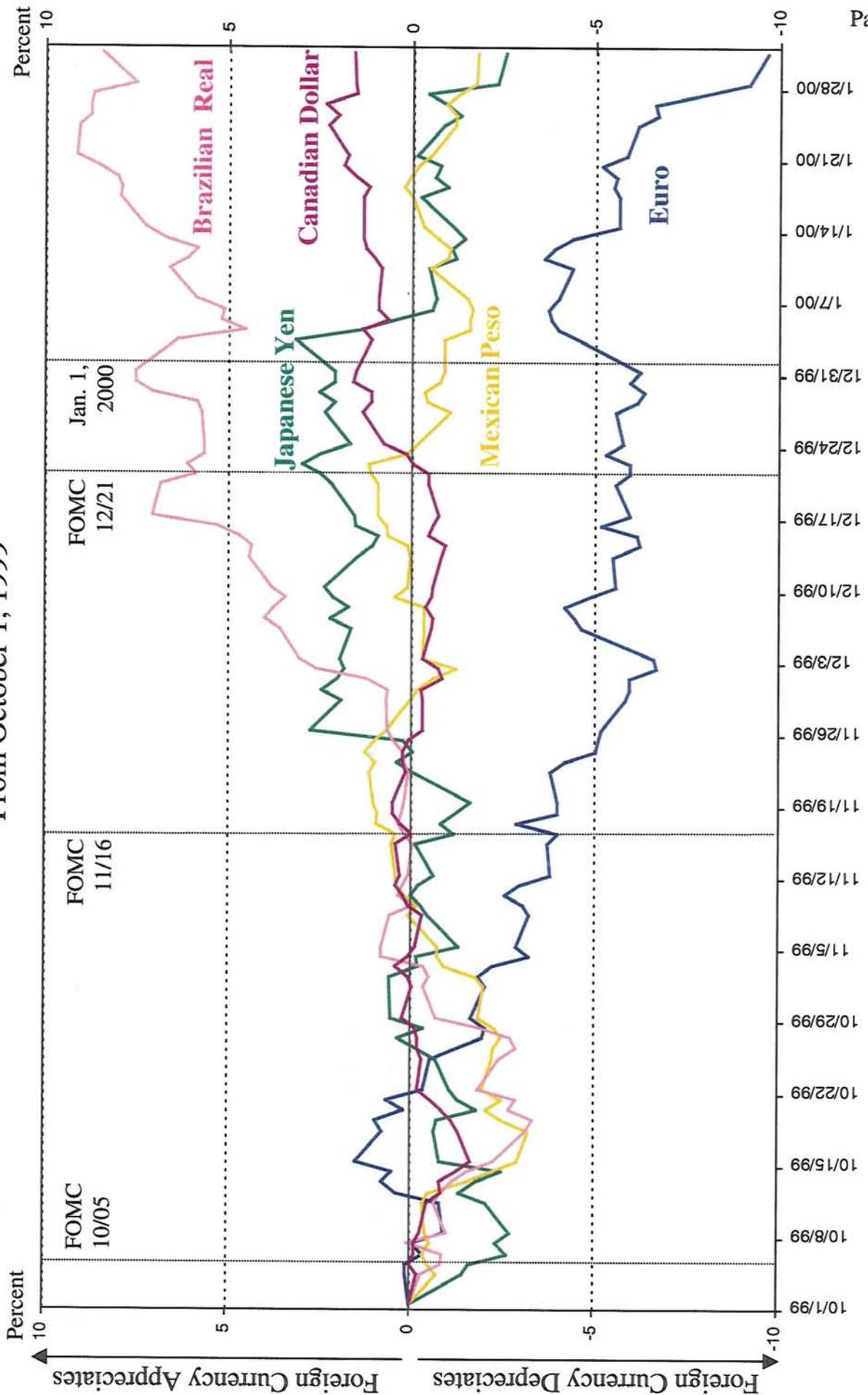


# Benchmark Government Yield Curves

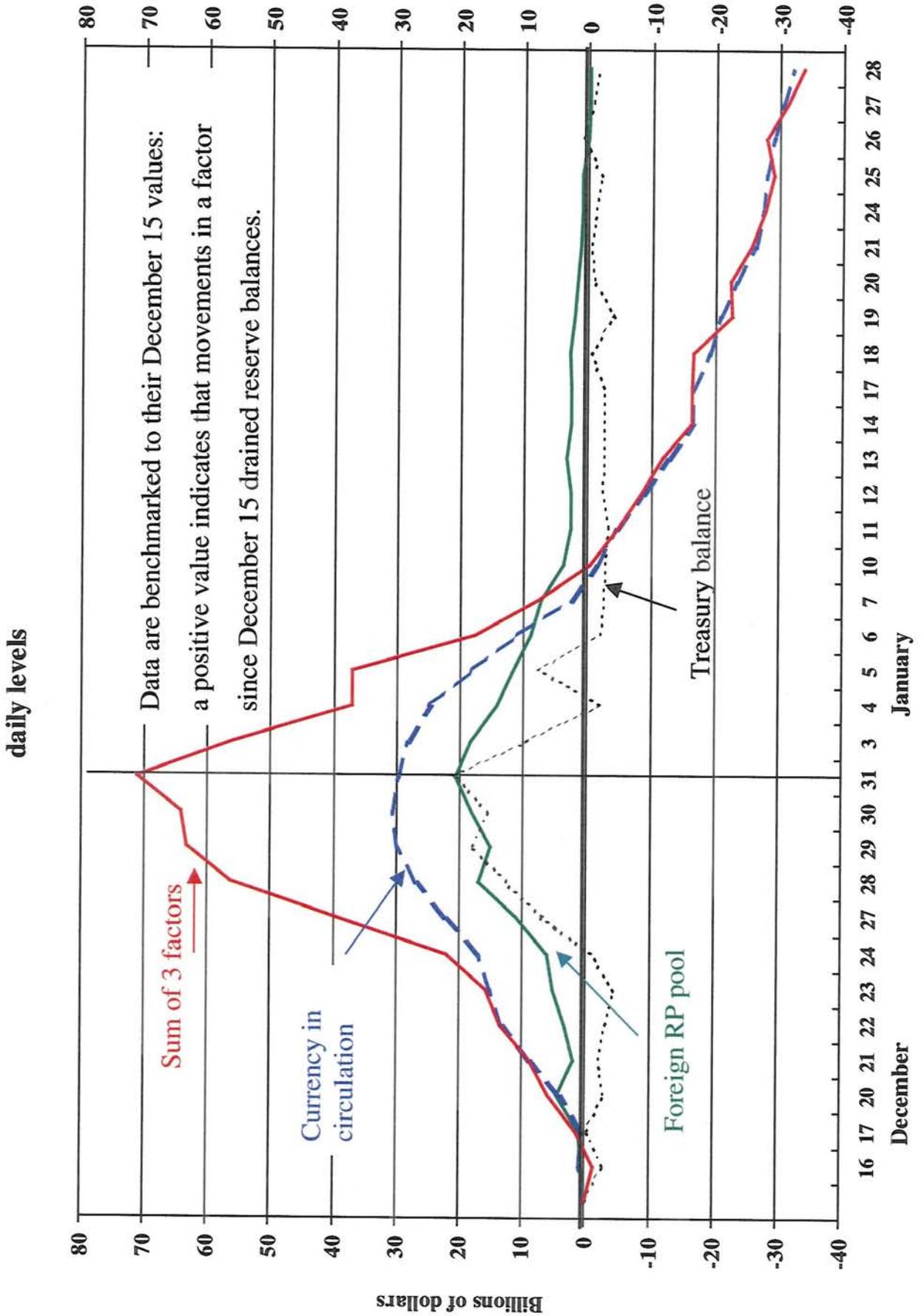


# Percent Change of Currencies against U.S. Dollar

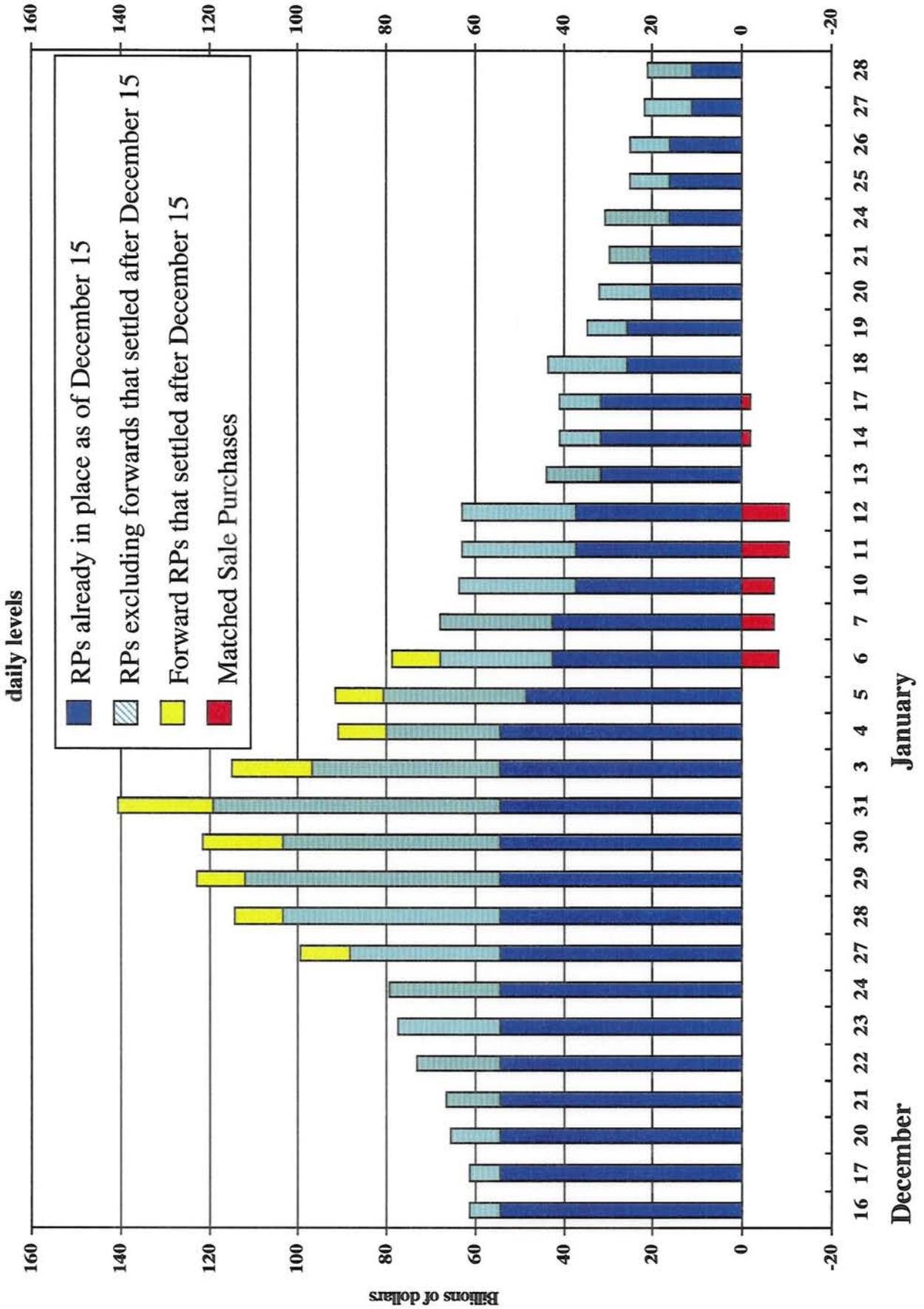
From October 1, 1999



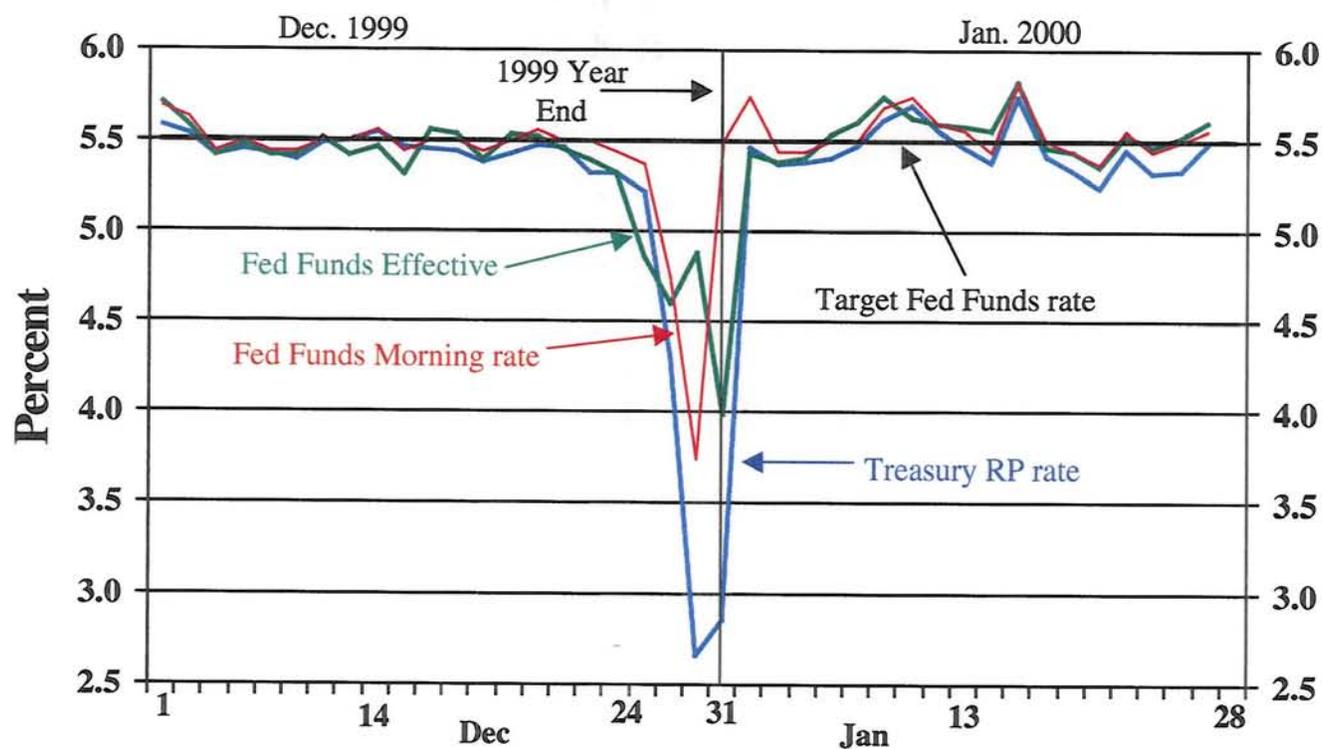
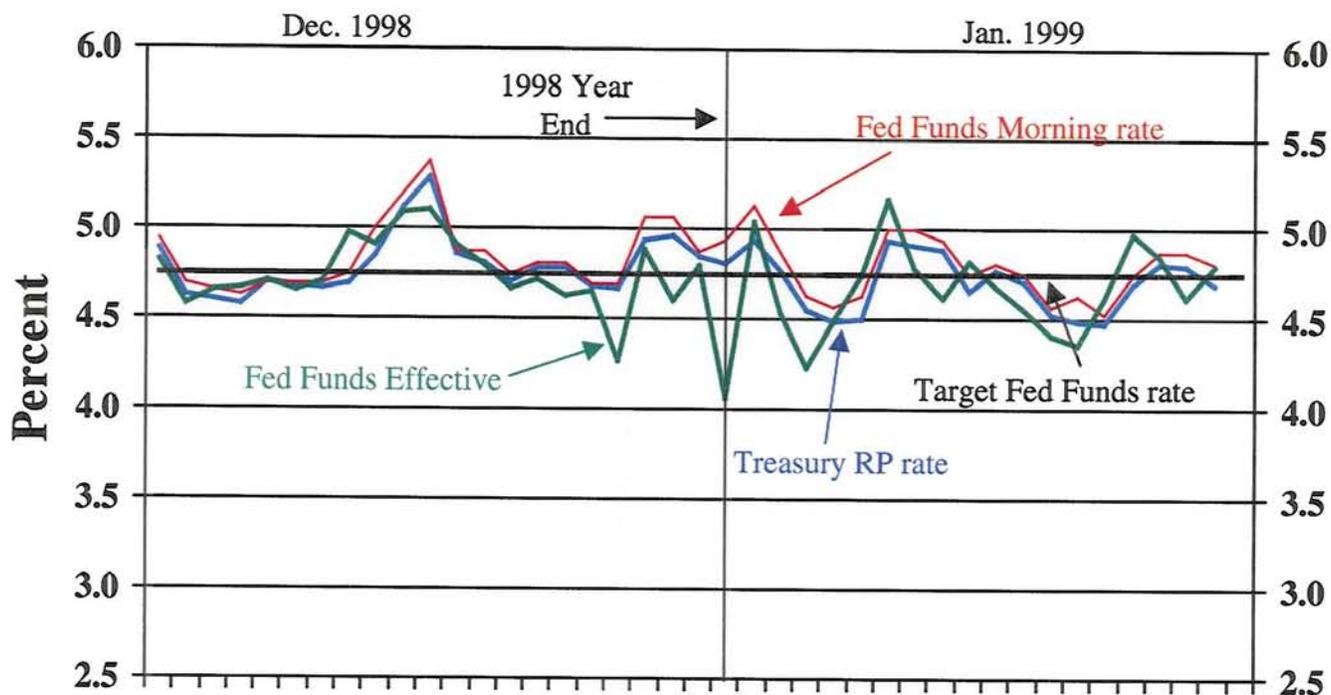
# MOVEMENTS OF KEY FACTORS SINCE DECEMBER 15 IMPACT ON RESERVE DEFICIENCIES



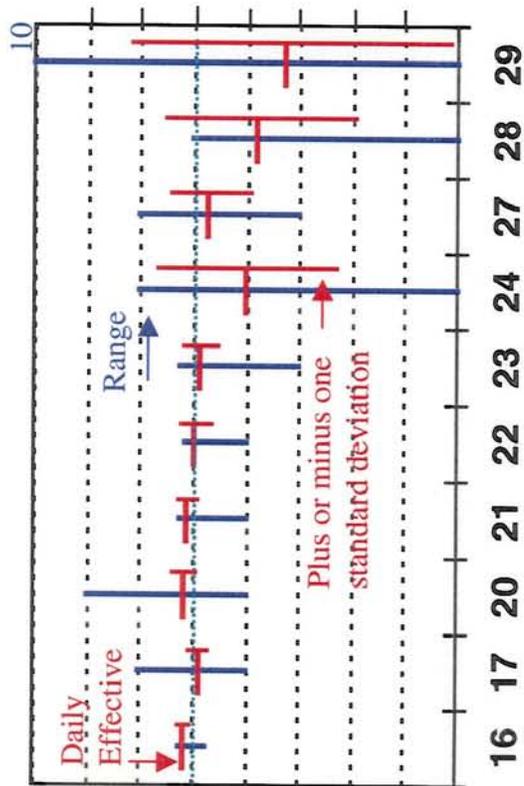
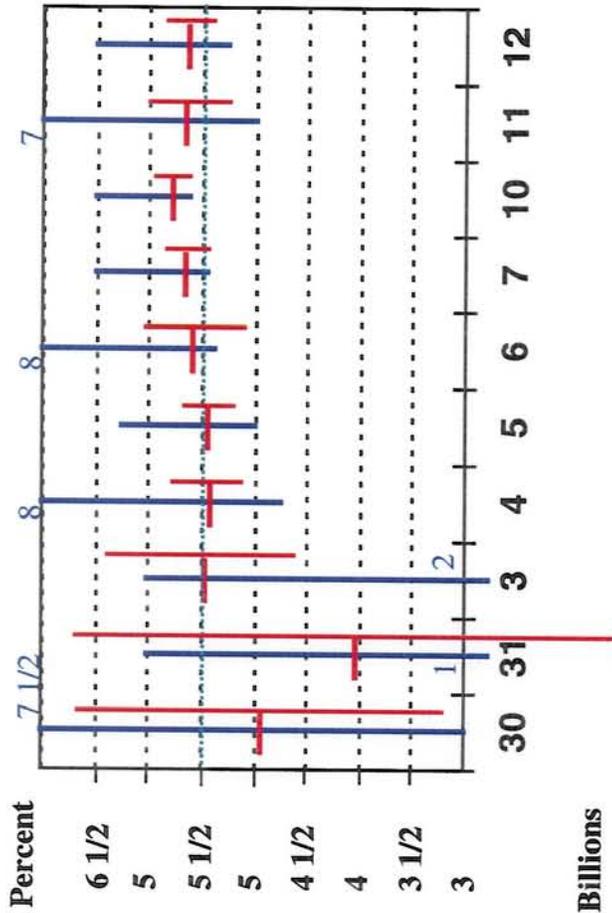
**RESERVE IMPACT OF TEMPORARY OPERATIONS SURROUNDING THE YEAR-END**



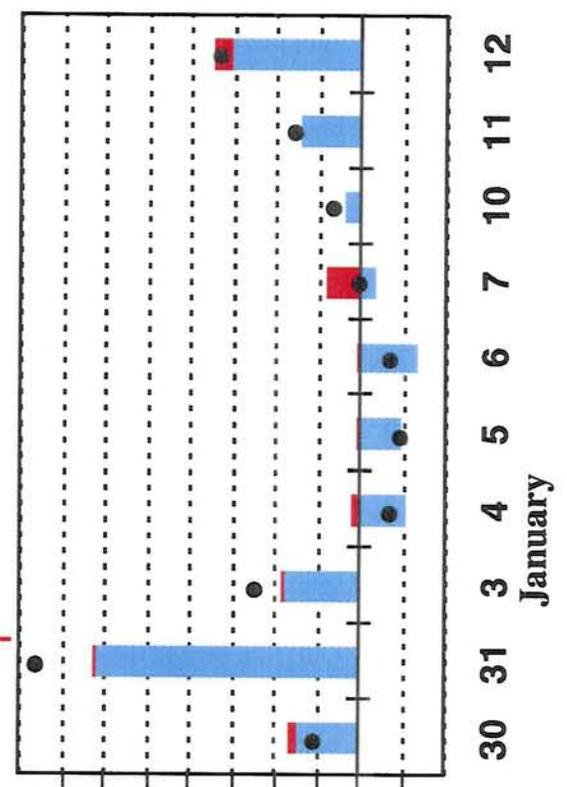
## TREASURY RP, MORNING FED FUNDS AND FED FUNDS EFFECTIVE RATES



### Daily Federal Funds Rate Behavior and Reserve Levels Around the Year End



Billions

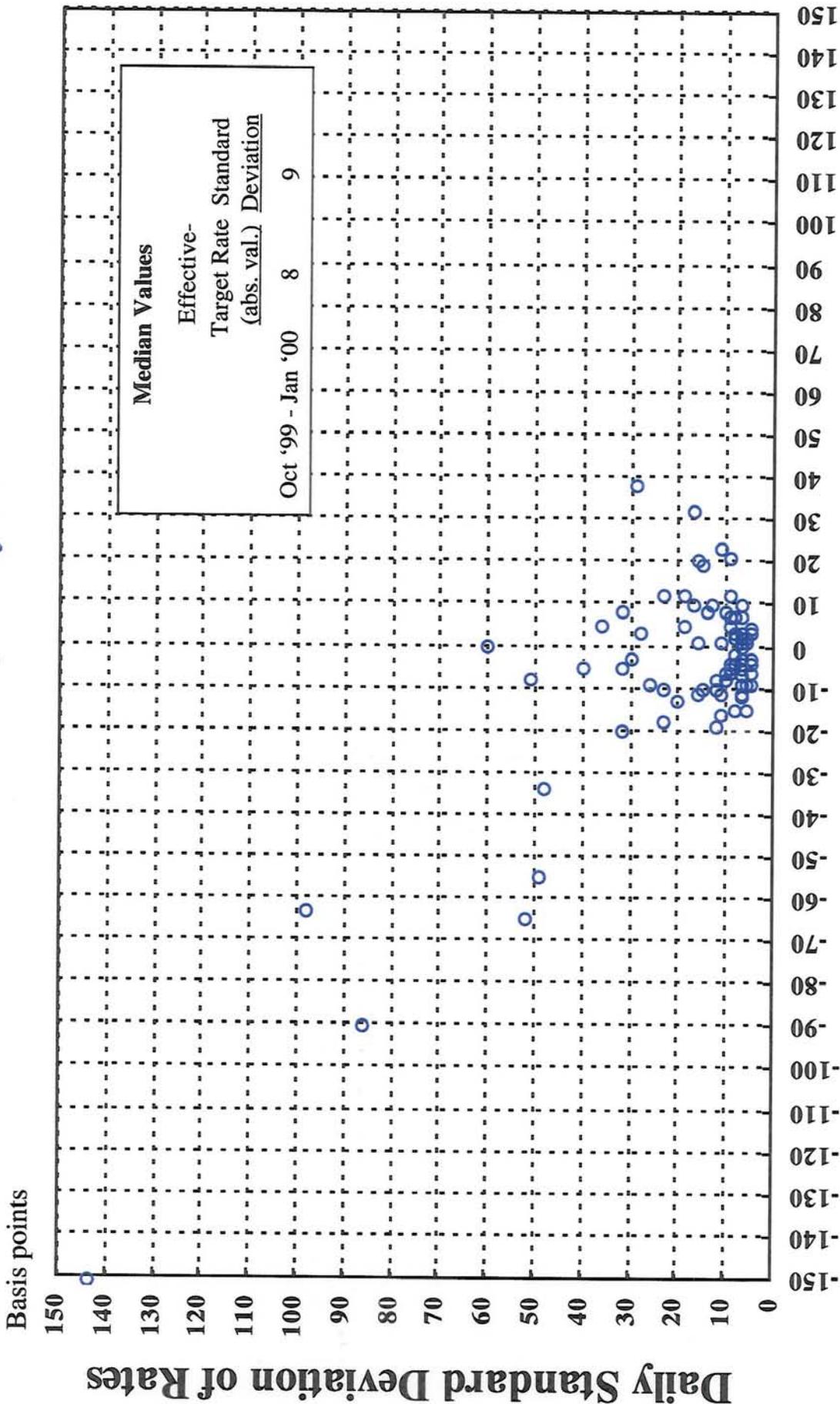


December

January

# Volatility of the Daily Federal Funds Rate

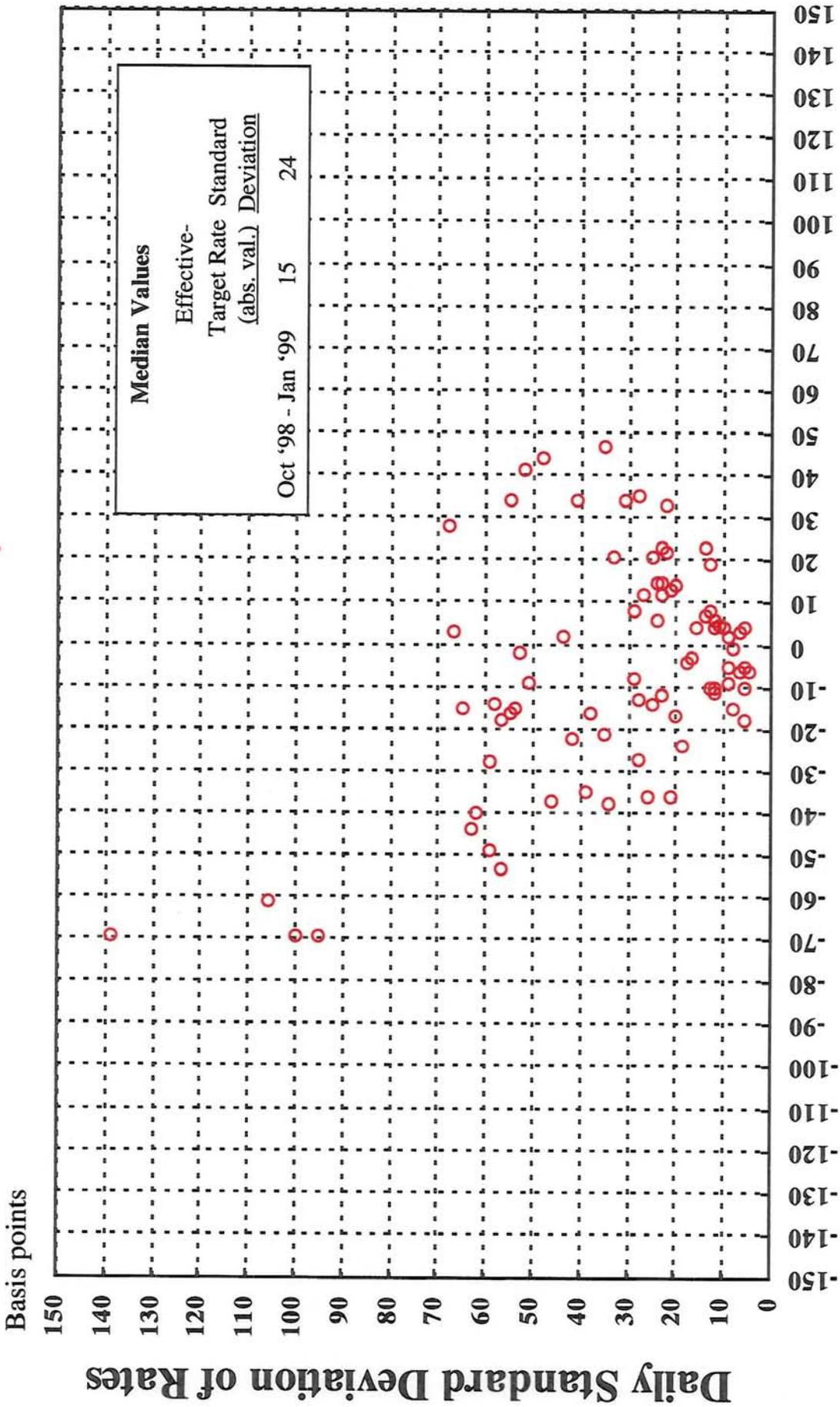
## October 1999 - January 2000



### Daily Effective Federal Funds Rates minus Target

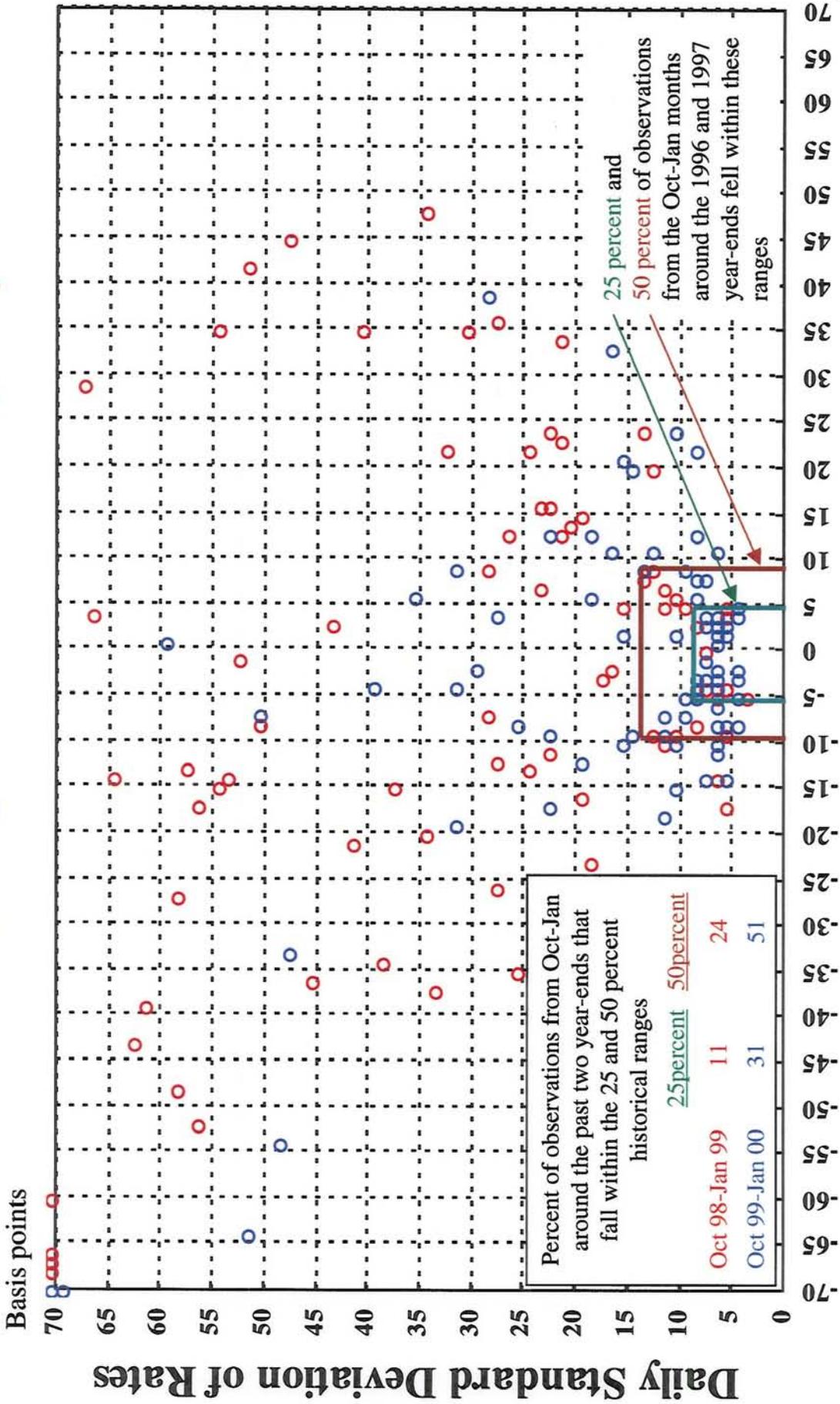
# Volatility of the Daily Federal Funds Rate

October 1998 - January 1999



# Volatility of the Daily Federal Funds Rate

October 1999 - January 2000 vs. October 1998 - January 1999



# Daily Effective Federal Funds Rates minus Target

APPENDIX 2

Charts used by Mr. Prell, Ms. Johnson, and Mr. Stockton.

STRICTLY CONFIDENTIAL (FR) CLASS I-FOMC\*

*Material for*

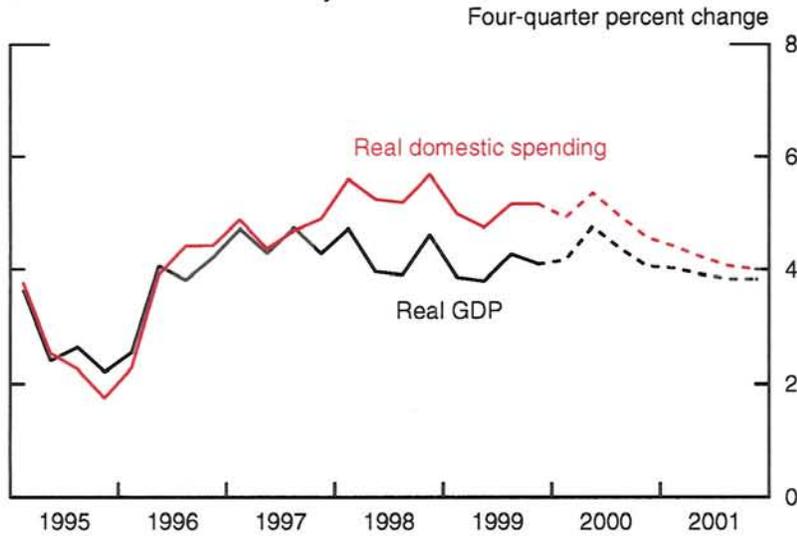
*Staff Presentation on the  
Economic Outlook*

*February 1, 2000*

\* Downgraded to Class II upon release of the February 2000 Humphrey-Hawkins report.

# Forecast Summary

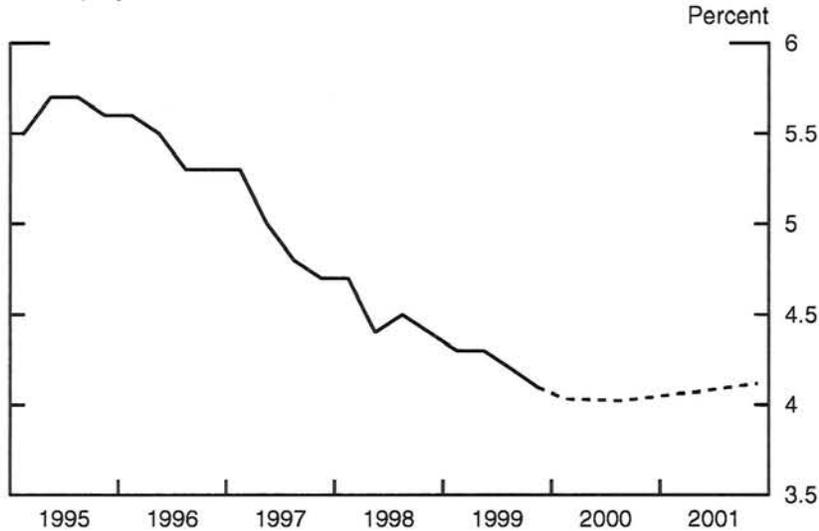
Growth in Economic Activity



Percent change, Q4/Q4		
	GDP	Domestic spending
1995	2.2	1.7
1996	4.2	4.4
1997	4.3	4.9
1998	4.6	5.7
1999	4.1 (4.2)	5.2 (5.4)
2000	4.1	4.6
2001	3.8	4.0

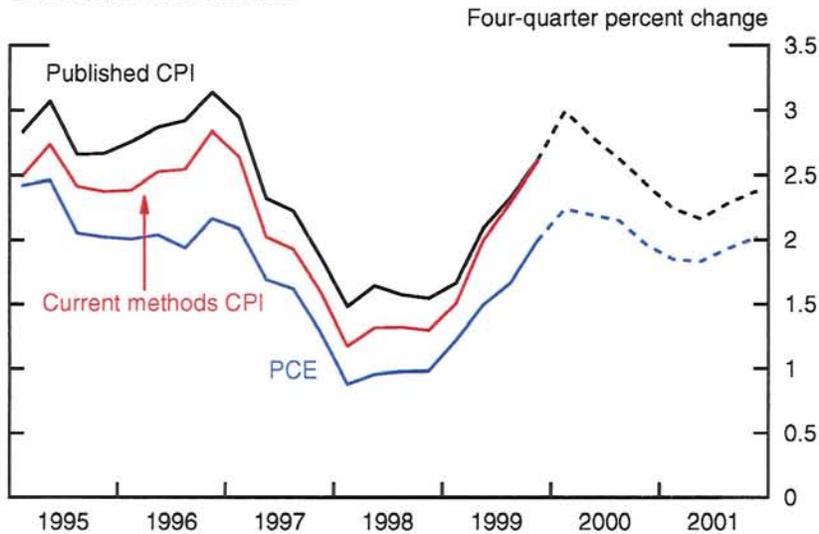
BEA estimates in parentheses.

Unemployment Rate



Q4 average	
1995	5.6
1996	5.3
1997	4.7
1998	4.4
1999	4.1
2000	4.0
2001	4.1

Consumer Price Inflation



Percent change, Q4/Q4		
	Published CPI	PCE
1995	2.7	2.0
1996	3.1	2.2
1997	1.9	1.3
1998	1.5	1.0
1999	2.6	2.0 (2.0)
2000	2.4	2.0
2001	2.4	2.0

# Financial Conditions

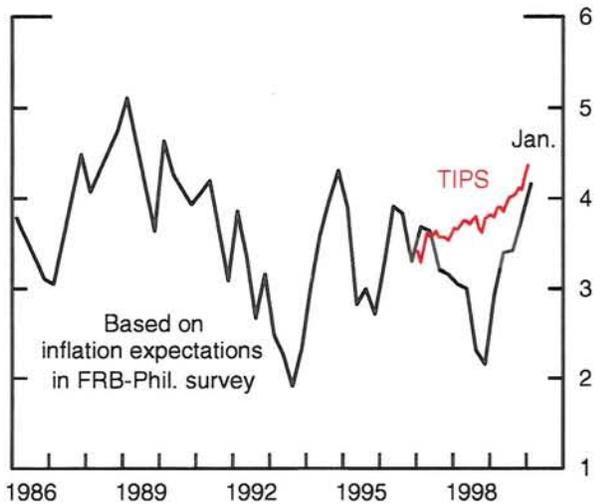
S&P 500 P/E



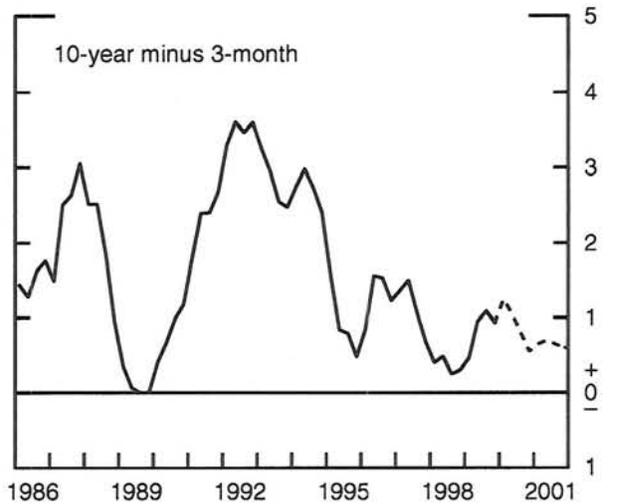
NASDAQ P/E



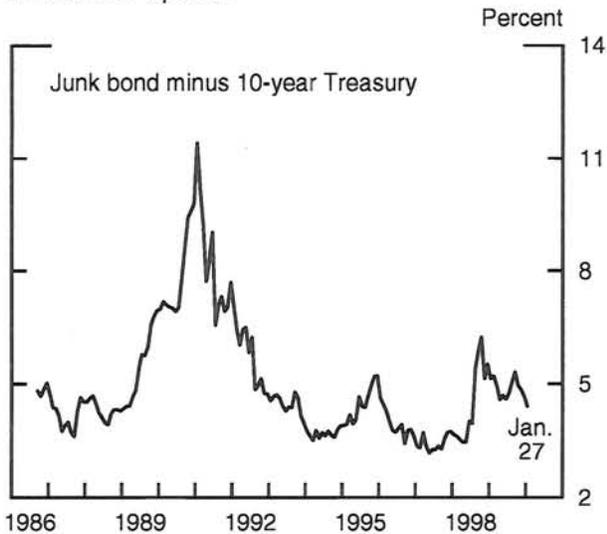
Real Ten-Year Treasury Yields



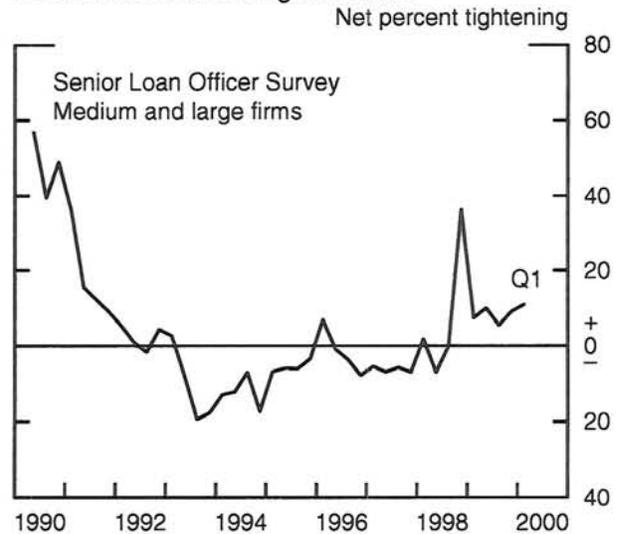
Treasury Term Structure Slope



Junk Bond Spread

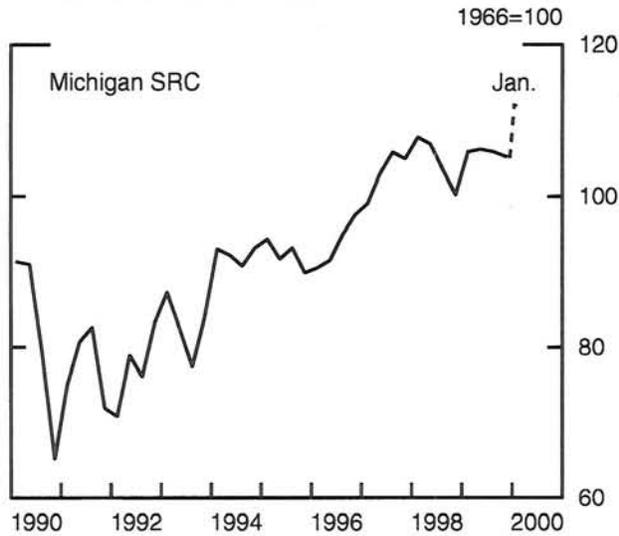


Bank Business Lending Standards

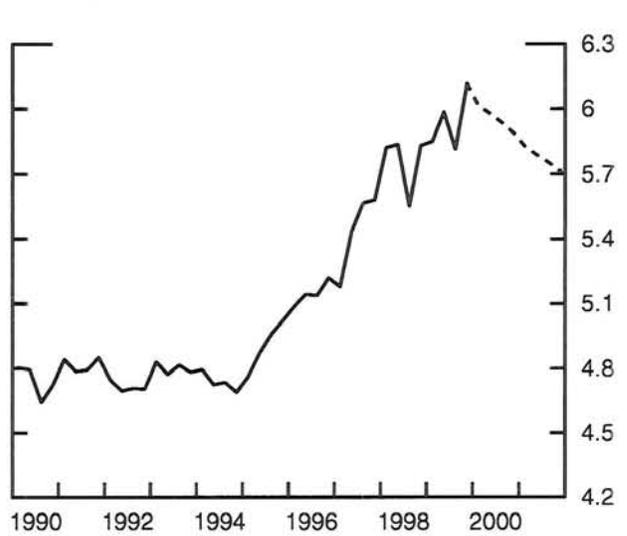


# Household Spending

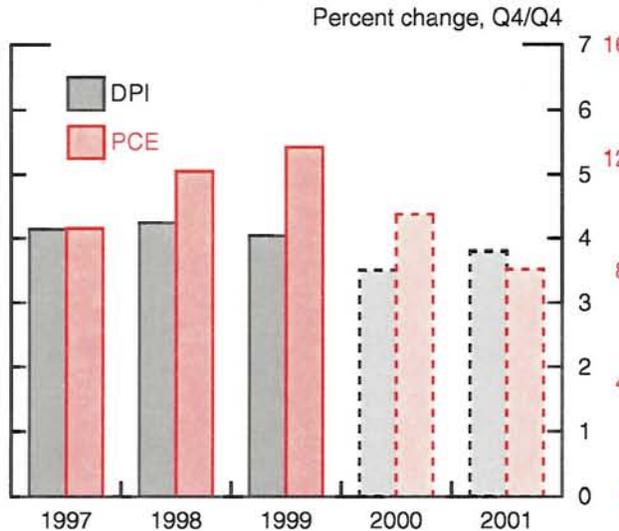
Consumer Sentiment Index



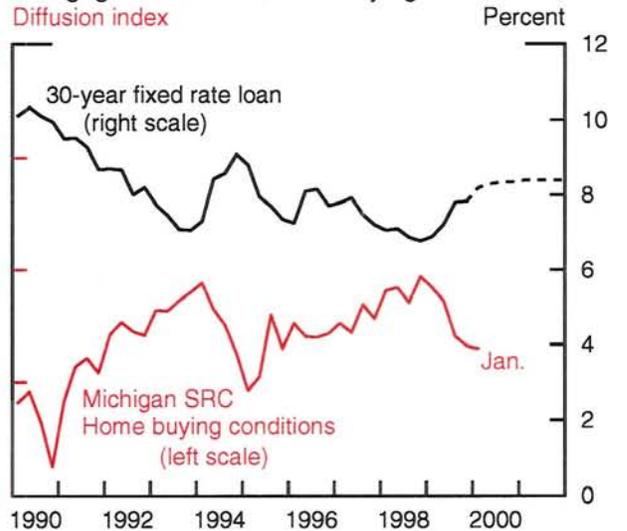
Household Wealth-to-Income Ratio



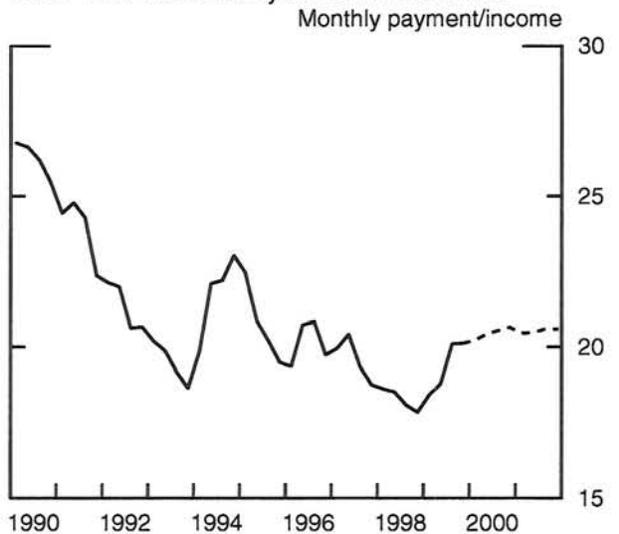
Growth of Real PCE and DPI



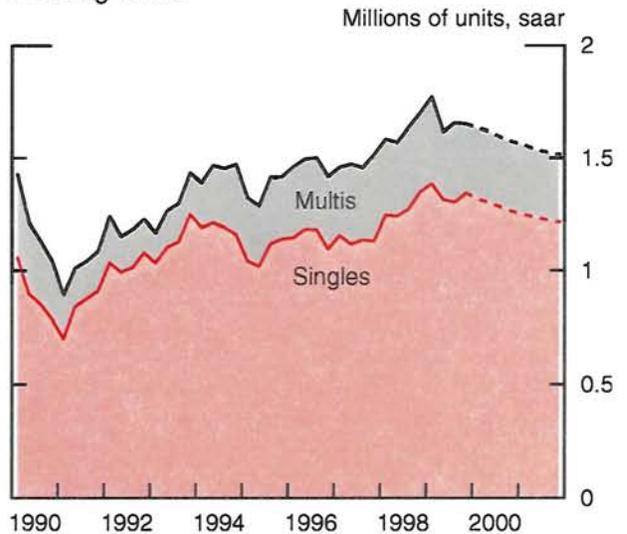
Mortgage Rates and Home Buying Conditions



Cash Flow Affordability of Home Purchase\*



Housing Starts

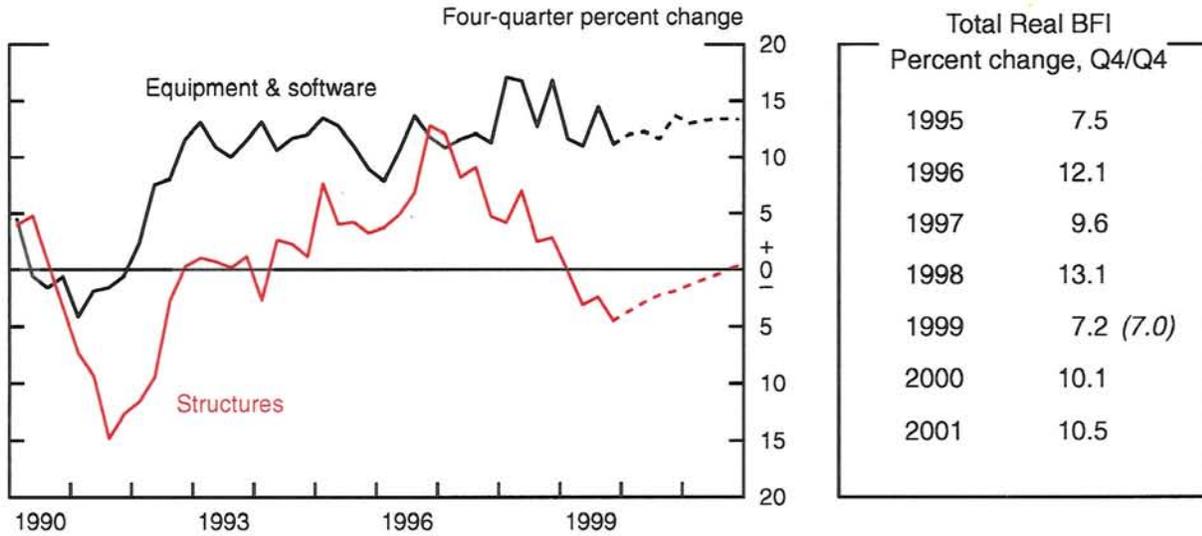


\* Based on new home, 30-year FRM.

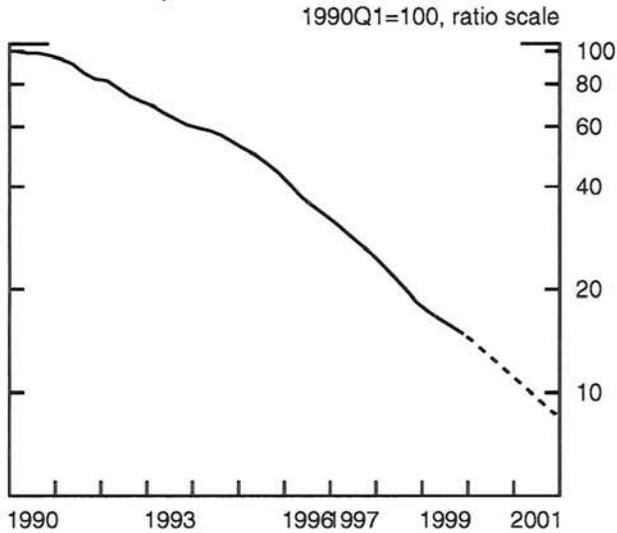
Chart 4

# Business Spending

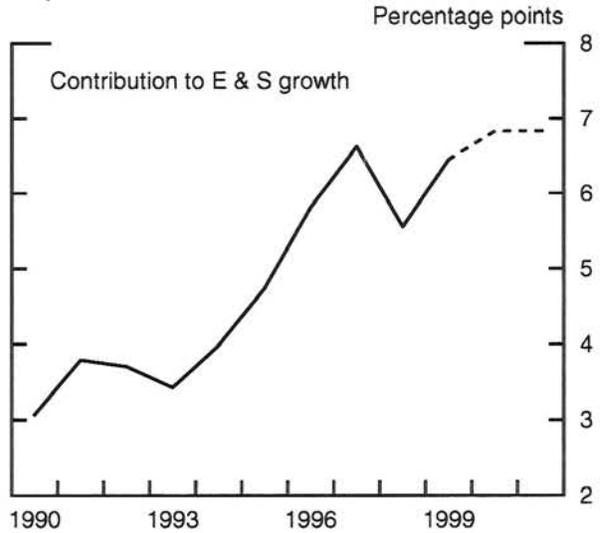
Real Business Fixed Investment



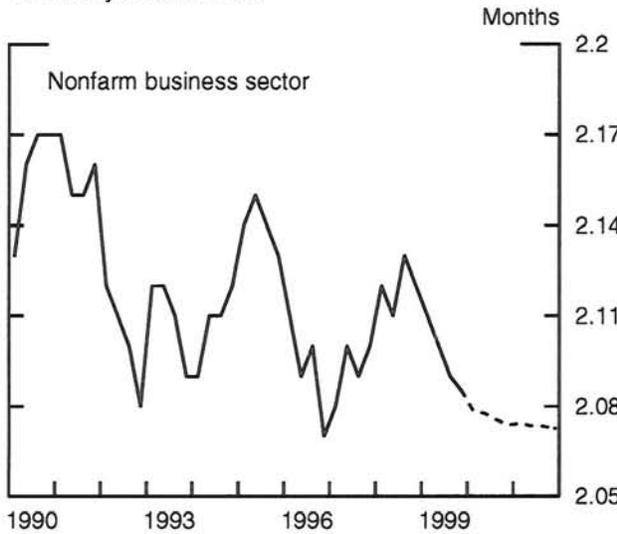
Price of Computers



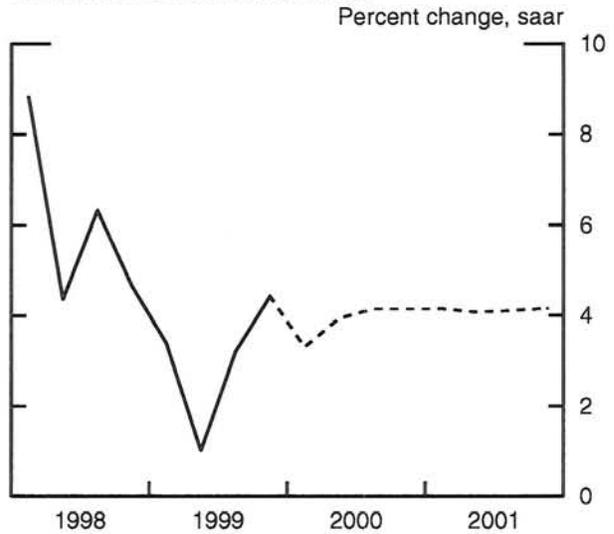
Replacement Investment



Inventory-Sales Ratio

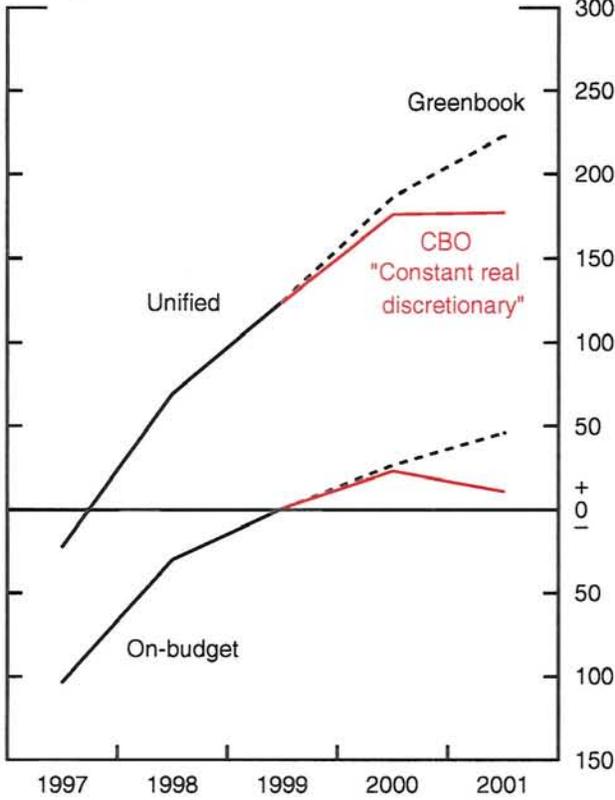


Growth of Nonfarm Inventories

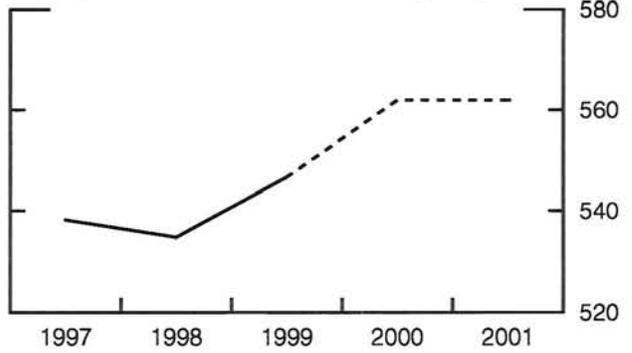


# Government Sector

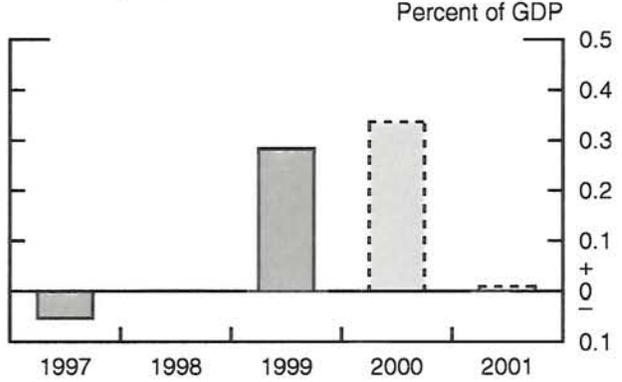
Federal Budget Balances  
Fiscal year



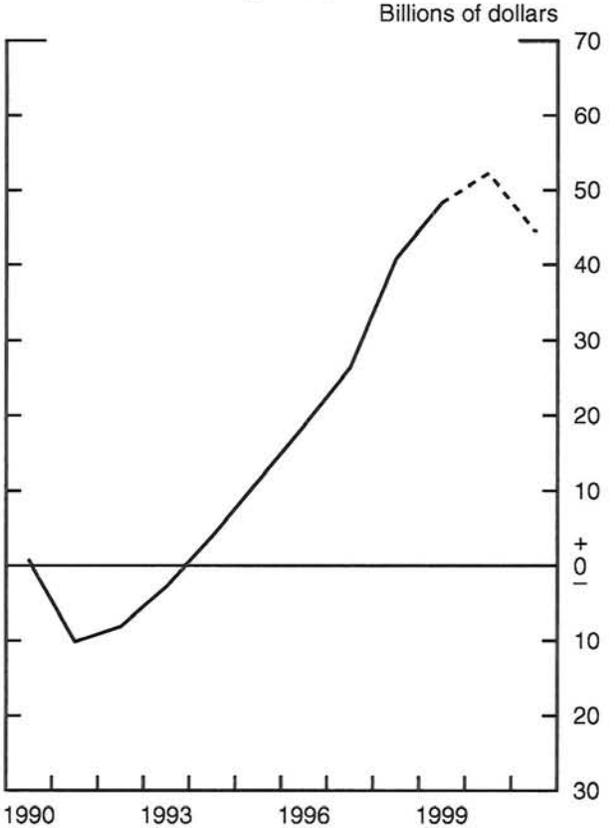
Real Discretionary Spending  
Fiscal year



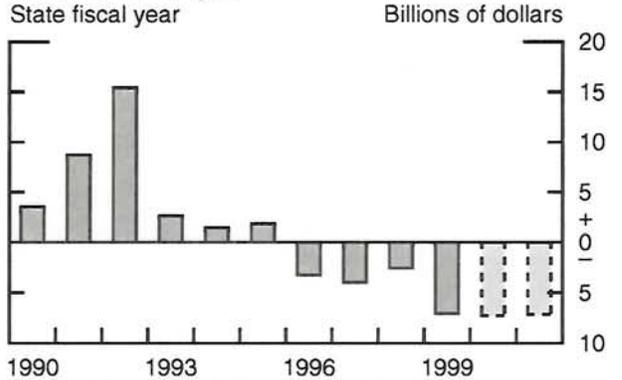
Fiscal Impetus



State and Local Budget Surplus\*

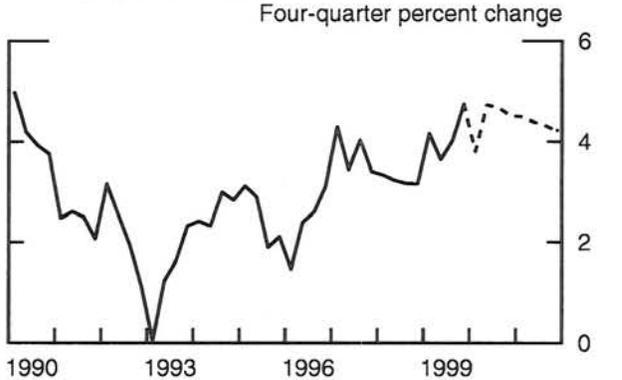


State Tax Changes



Source: National Conference of State Legislatures.

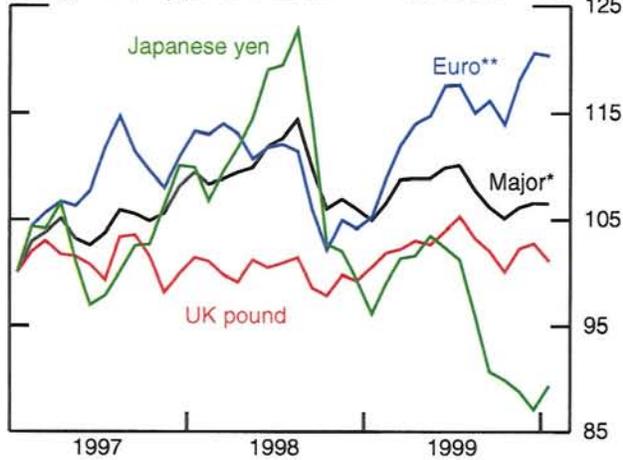
Real State and Local Purchases



\* Excludes social insurance funds.

## Exchange Rates

Nominal Exchange Rates  
Foreign currency per U.S. dollar

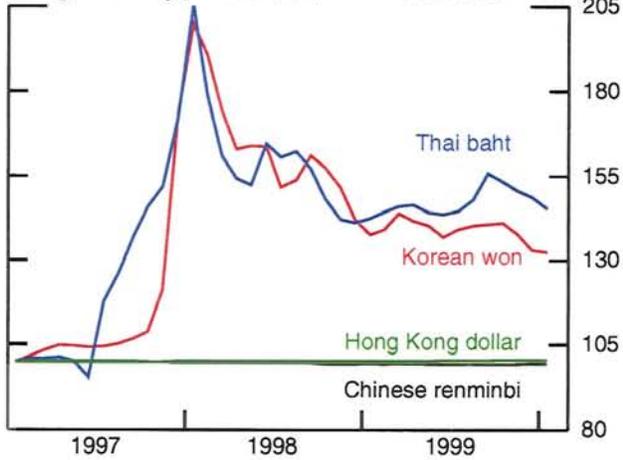


\*Trade weighted-average dollar against major international currencies  
\*\*Restated German mark 1997 through 1998

Interest Rates

	Level 1/31/00	Change 6/29/99 to 1/31/00
<b>Three-Month</b>		
1. Euro	3.49	0.83
2. Japan	0.06	0.02
3. United Kingdom	6.04	0.91
4. United States	6.00	0.68

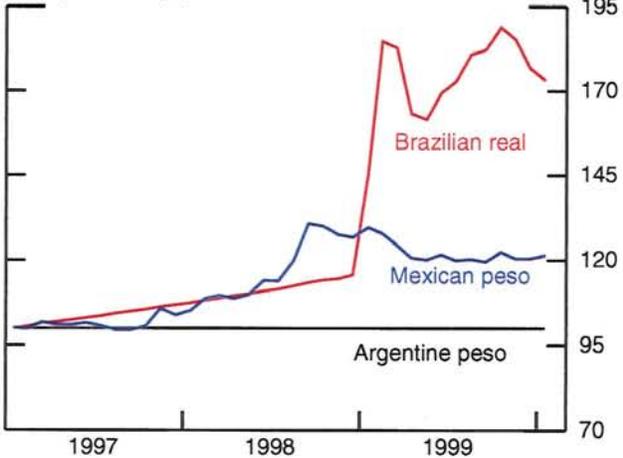
Nominal Exchange Rates  
Foreign currency per U.S. dollar



Interest Rates

	Level 1/31/00	Change 6/29/99 to 1/31/00
<b>One-Month Domestic</b>		
1. Korea	6.00	0.50
2. Thailand	3.50	-0.50
3. Hong Kong	5.85	0.04
<b>Offshore-Dollar Bond Spreads</b>		
4. China	1.23	-0.26
5. Korea	1.36	-0.58
6. Thailand	1.29	-0.50

Nominal Exchange Rates  
Foreign currency per U.S. dollar



Interest Rates

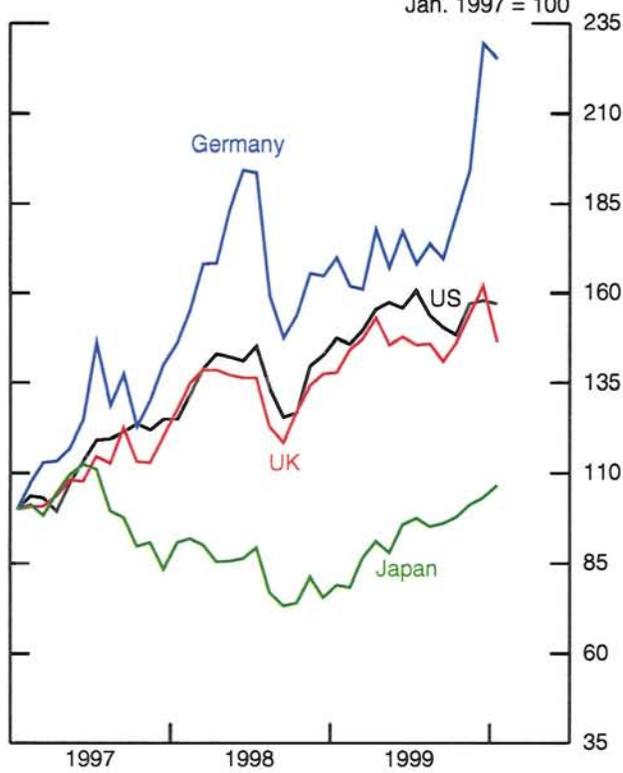
	Level 1/31/00	Change 6/29/99 to 1/31/00
<b>One-Month Domestic</b>		
1. Argentina	8.25	-0.25
2. Brazil	19.90	-1.80
3. Mexico (1/28)	16.95	-3.25
<b>Brady Bond Yield Spreads</b>		
4. Argentina	8.22	-1.49
5. Brazil	8.59	-3.19
6. Mexico	5.10	-2.90

Chart 7

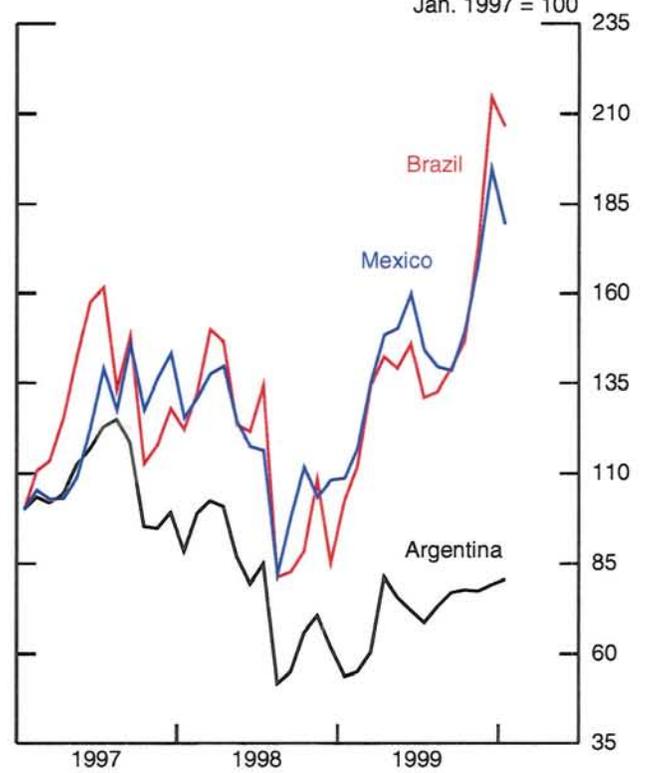
### Stock Market Indexes

(Local currency)

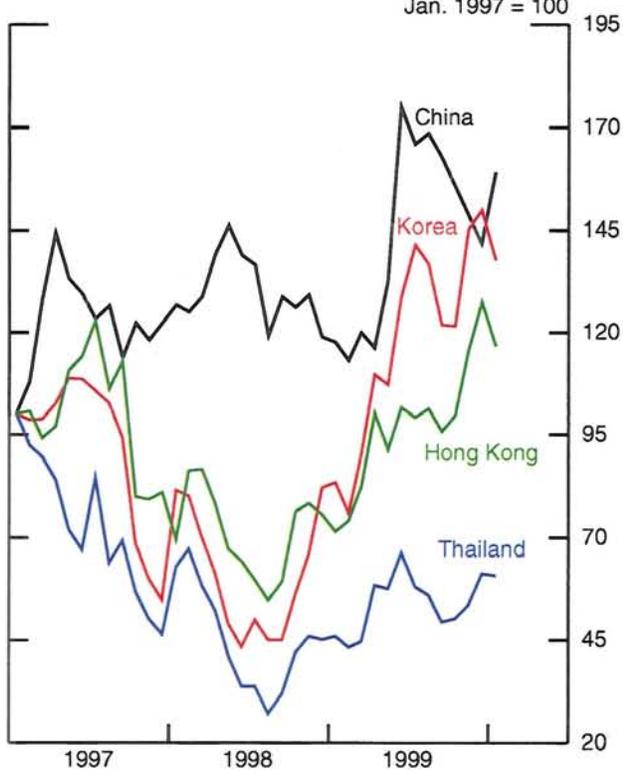
Industrial



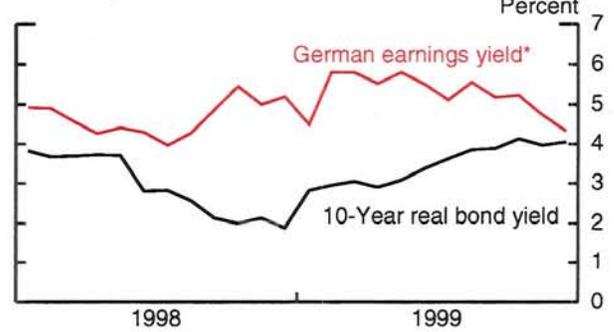
Latin America



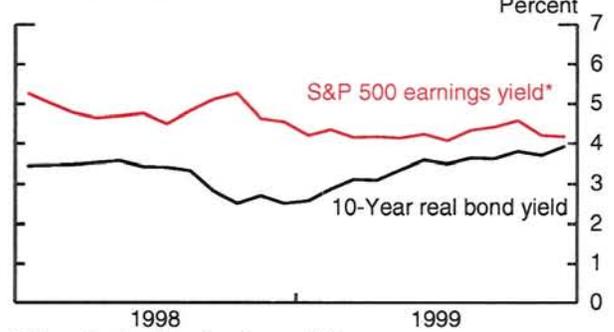
Asia



Germany



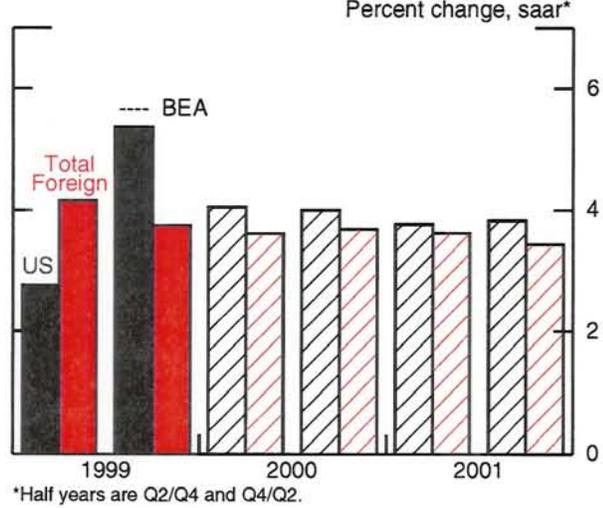
United States



\*12-month-ahead earnings forecast/Price

# Foreign Outlook

Real GDP Growth

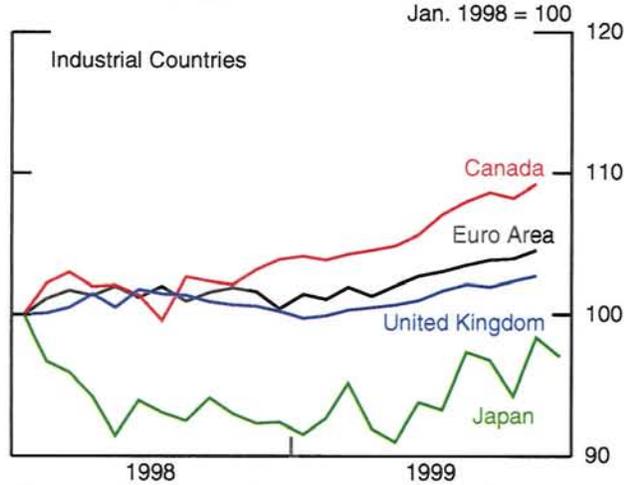


Real GDP Growth\*

	1999		2000	2001
	H1	H2		
1. Japan	5.1	-1.3	0.9	1.3
2. Canada	3.6	4.3	3.3	2.9
3. Euro Area	2.2	3.6	3.2	3.0
4. United Kingdom	1.7	3.7	2.8	2.4
5. Developing Asia	9.5	5.6	5.8	6.3
6. Latin America	3.0	4.3	3.8	4.0

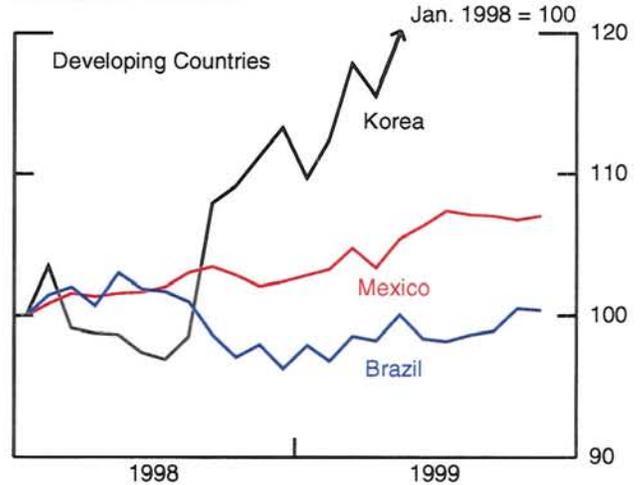
\*US nonagricultural export weights. \*\*Years are Q4/Q4; half years are either Q2/Q4 or Q4/Q2.

Industrial Production

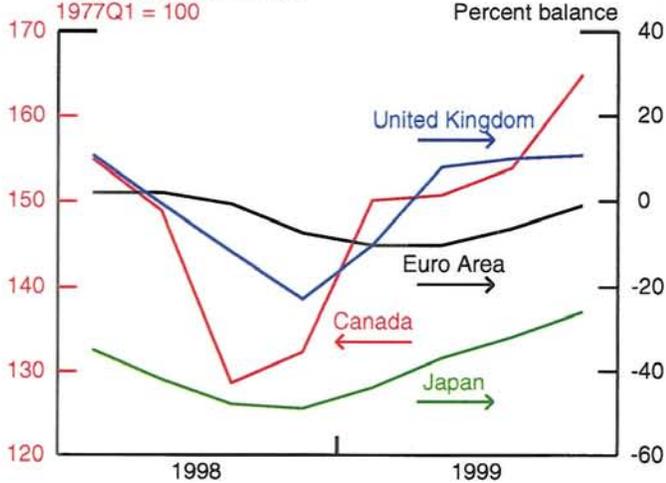


\*Euro area IP excludes construction; Japanese IP is working-day adjusted for mining and manufacturing, and excludes utilities.

Industrial Production



Business Confidence



Current Account Balances

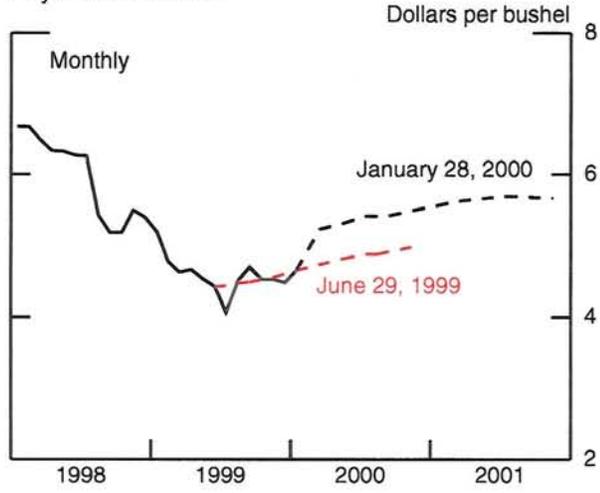
	1998	1999	2000	2001
1. Devel. Asia	105	95	80	80
2. Korea	41	26	19	14
3. China	29	14	17	17
4. Latin America	-84	-56	-42	-50
5. Mexico	-16	-12	-13	-16
6. Brazil	-34	-25	-17	-17
7. Argentina	-14	-11	-12	-13

Billions of dollars

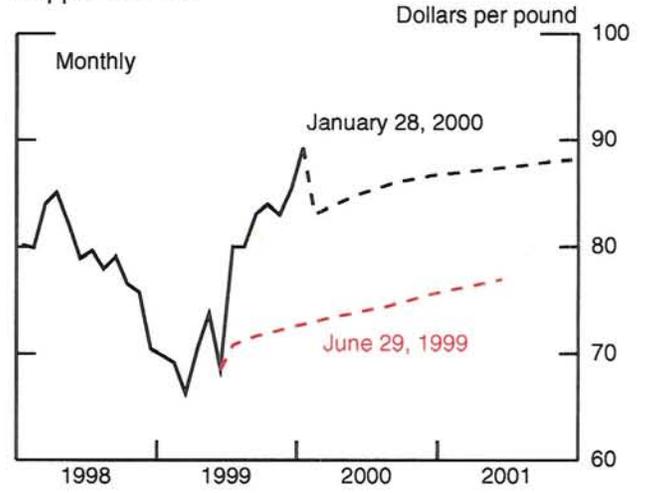
Chart 9

# Global Prices

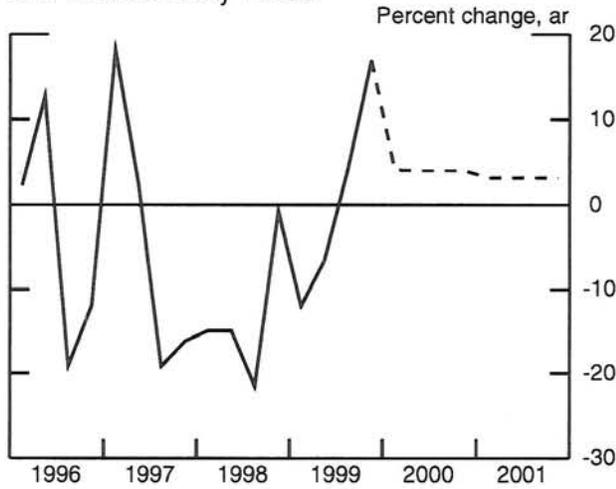
### Soybeans Futures



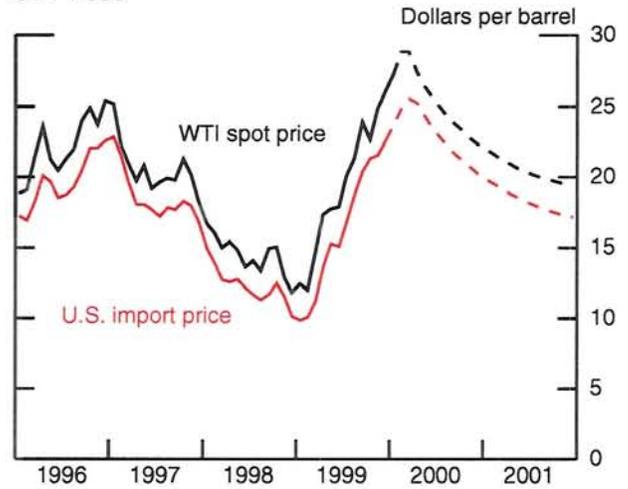
### Copper Futures



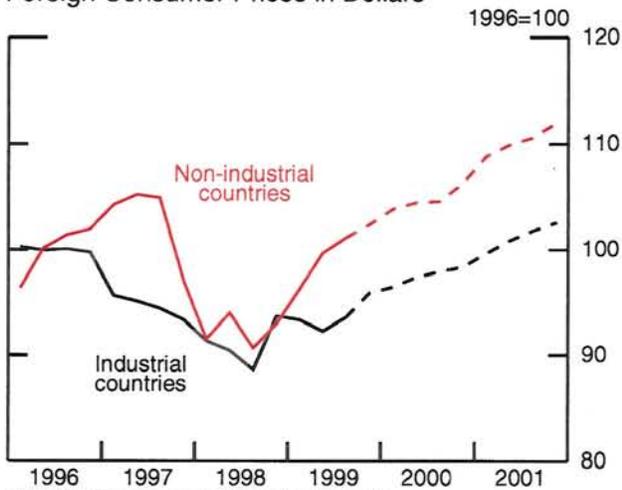
### Non-oil Commodity Prices



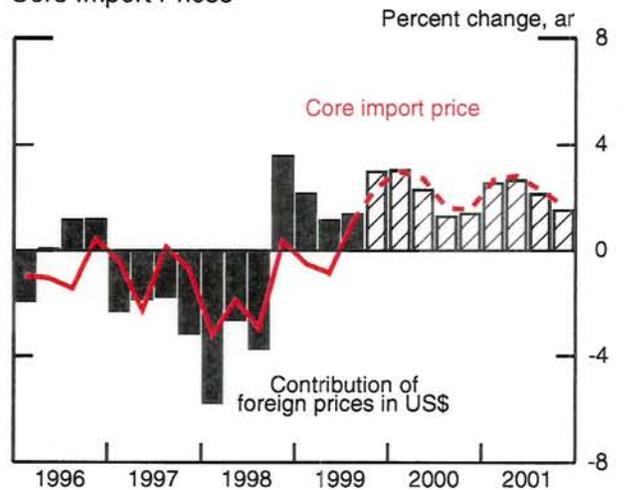
### Oil Prices



### Foreign Consumer Prices in Dollars\*

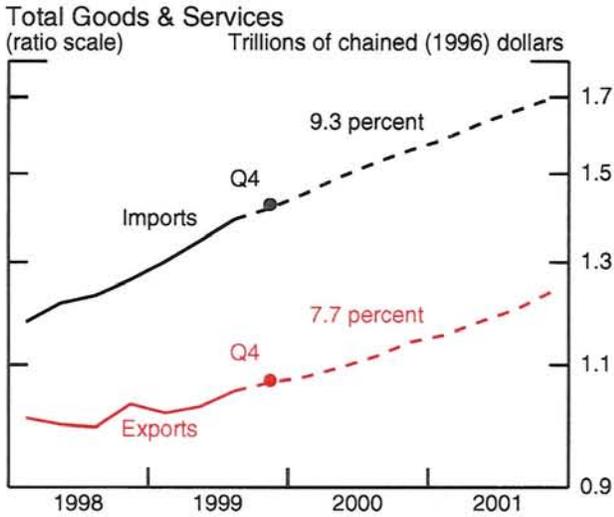


### Core Import Prices



\* Weighted by shares of U.S. bilateral imports.

## External Sector

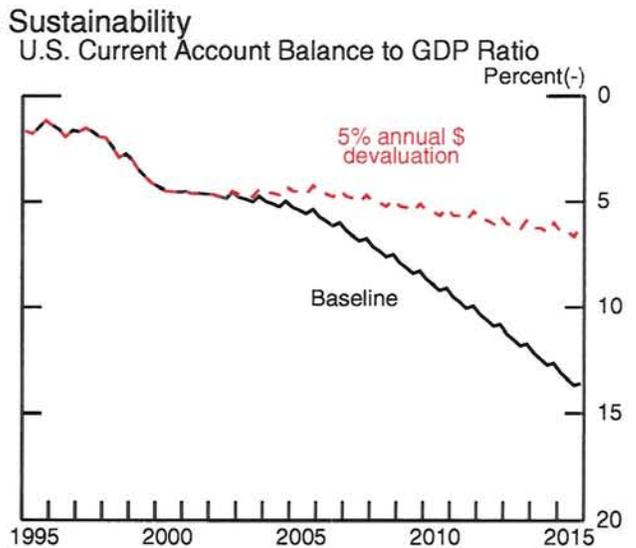
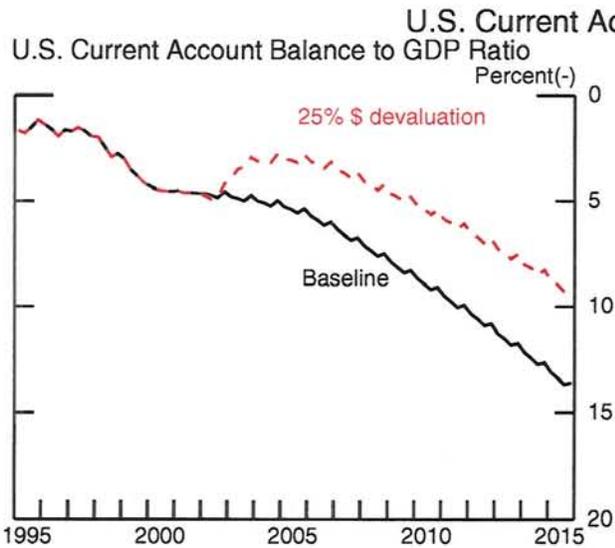
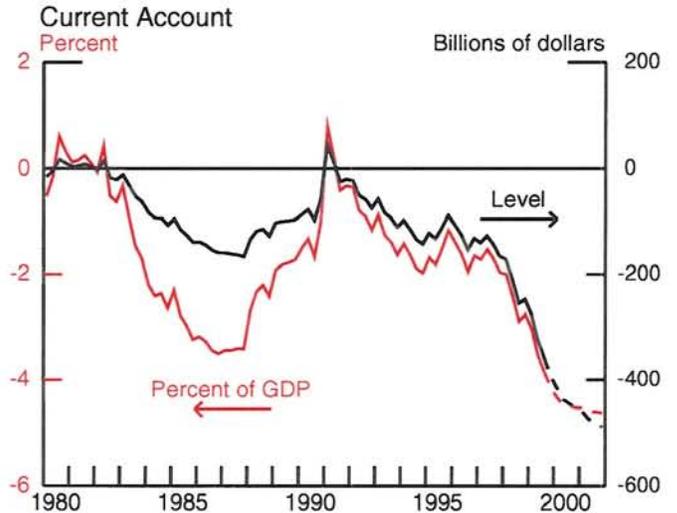


**Core Goods** Percentage points, Q4/Q4

	1999	2000	2001
<b>1. Core Exports</b>	<b>2.4</b>	<b>4.2</b>	<b>5.7</b>
Contribution of			
2. For. GDP Growth	3.6	3.4	3.3
3. Relative Prices	-1.5	0.4	2.4
<b>4. Core Imports</b>	<b>13.1</b>	<b>7.3</b>	<b>6.4</b>
Contribution of			
5. U.S. GDP Growth	7.6	7.6	6.9
6. Relative Prices	2.5	-0.2	-0.5

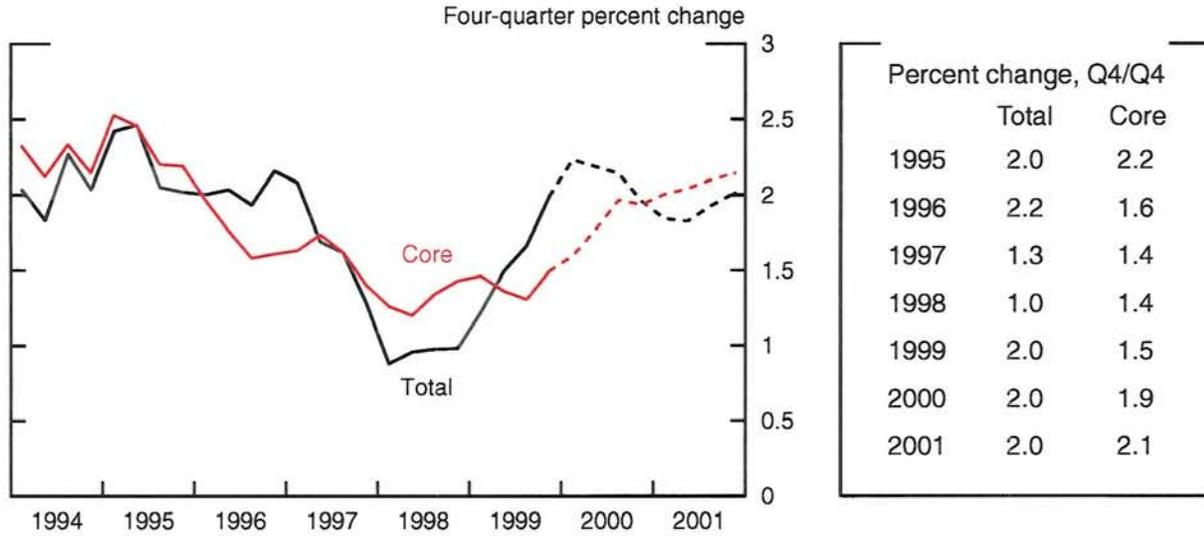
**Contribution to Real GDP Growth** Percentage points, ar

	Exports	Imports
1999 H1	-0.1	-1.7
H2	0.9 (1.0)	-1.5 (-1.7)
2000 H1	0.6	-1.5
H2	0.9	-1.3
2001 H1	0.7	-1.3
H2	1.1	-1.2

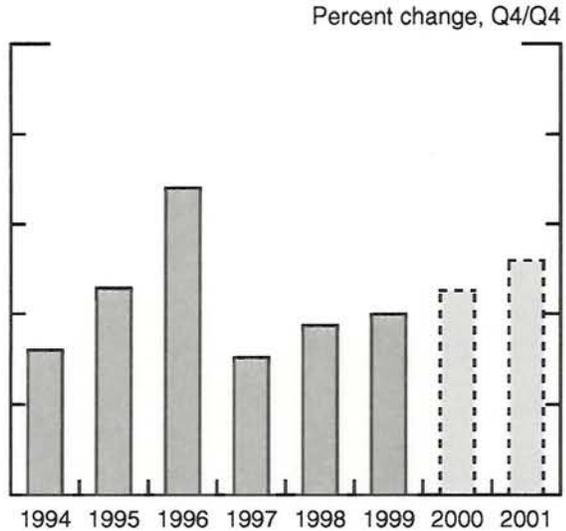


# Inflation Projection

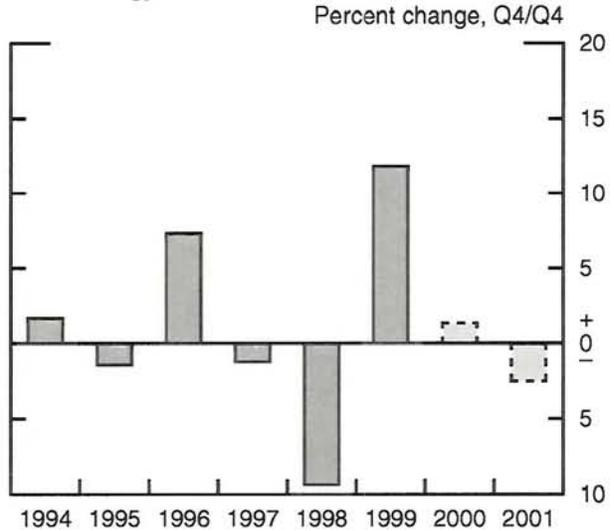
PCE Prices



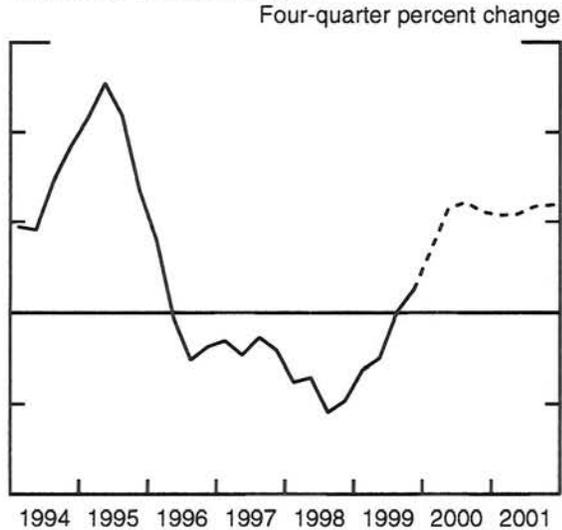
PCE Food



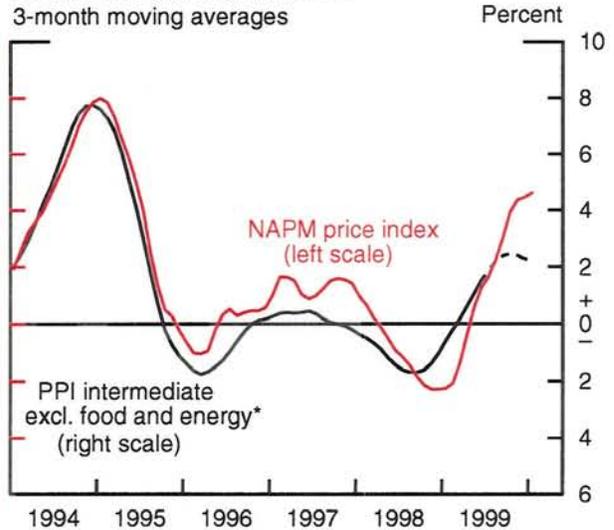
PCE Energy



Core Non-oil Import Prices\*



Intermediate Materials Prices

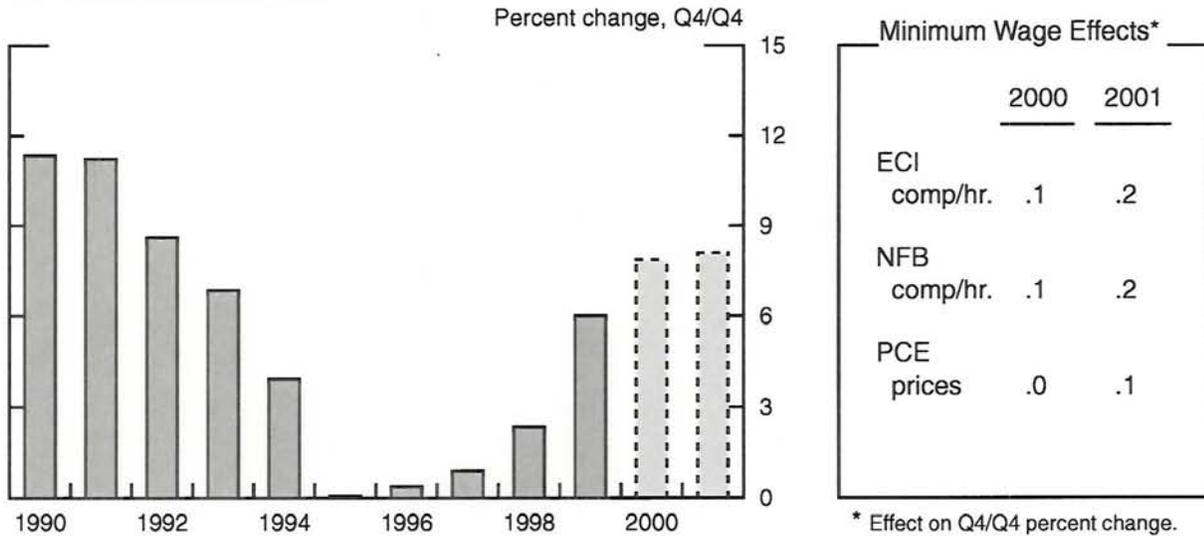


\* Excluding oil, computer and semiconductor prices.

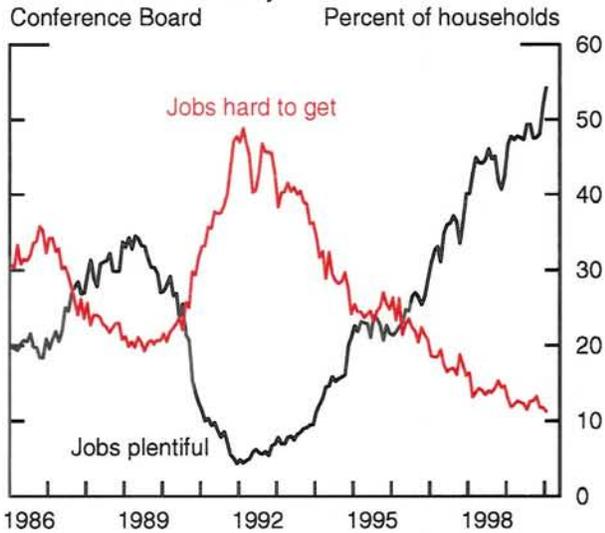
\*Centered twelve-month change.

# Inflation Influences

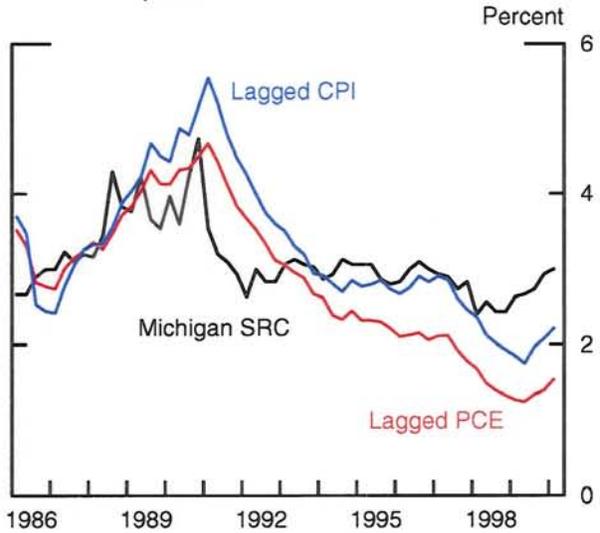
ECI Health Insurance Costs



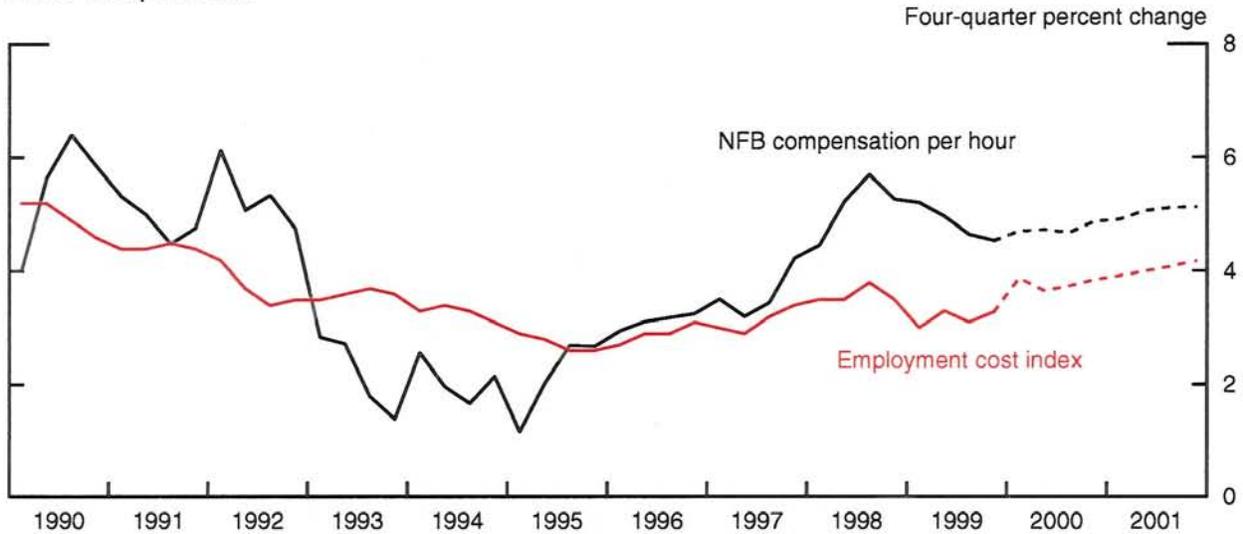
Current Job Availability  
Conference Board



Inflation Expectations

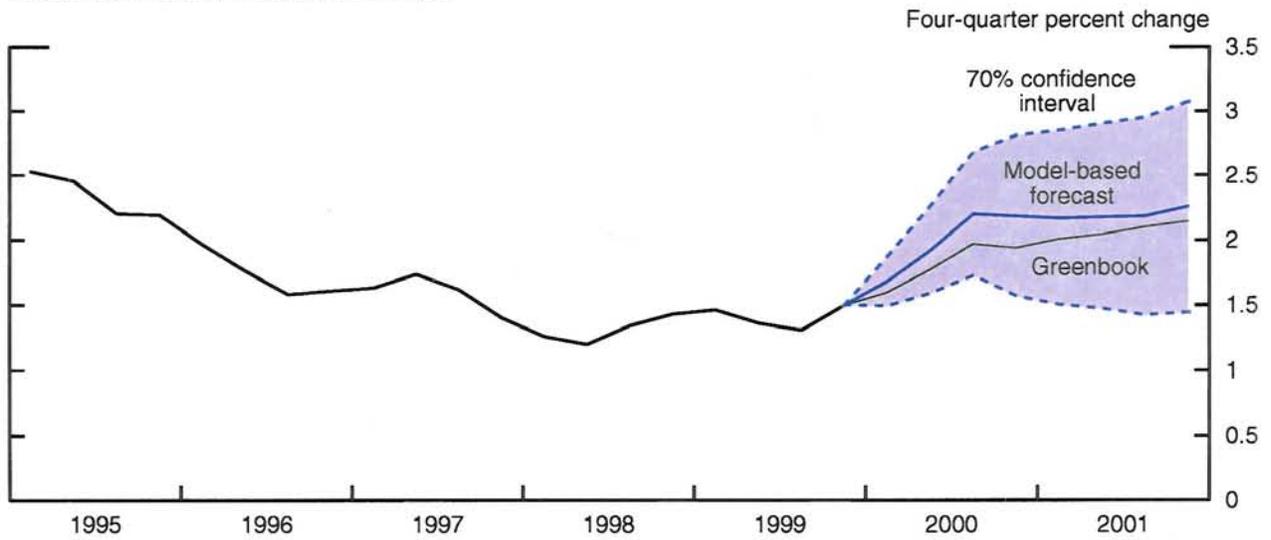


Labor Compensation

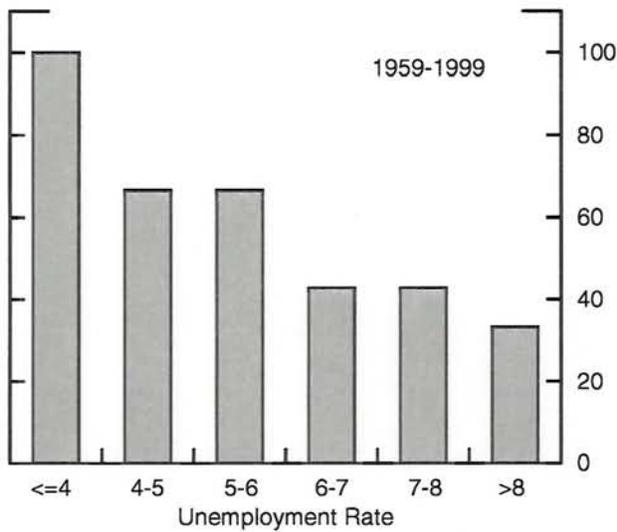


# Inflation Uncertainties

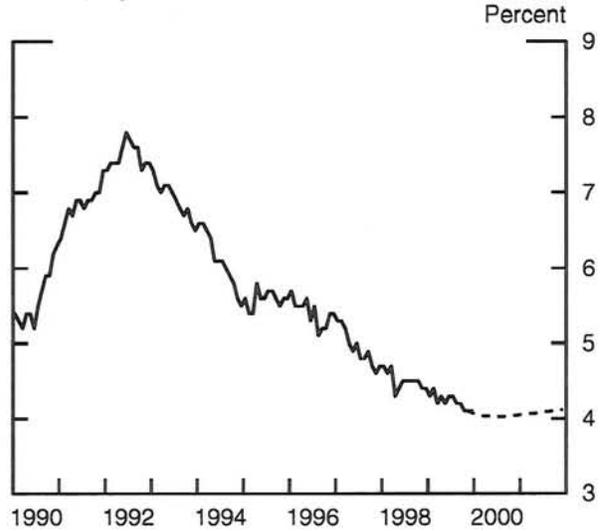
Model Simulation of Core PCE Prices



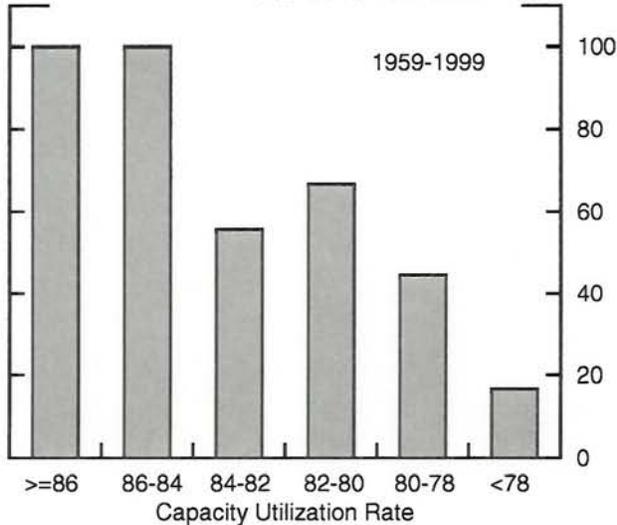
Frequency of GDP Price Acceleration  
Percent of annual observations



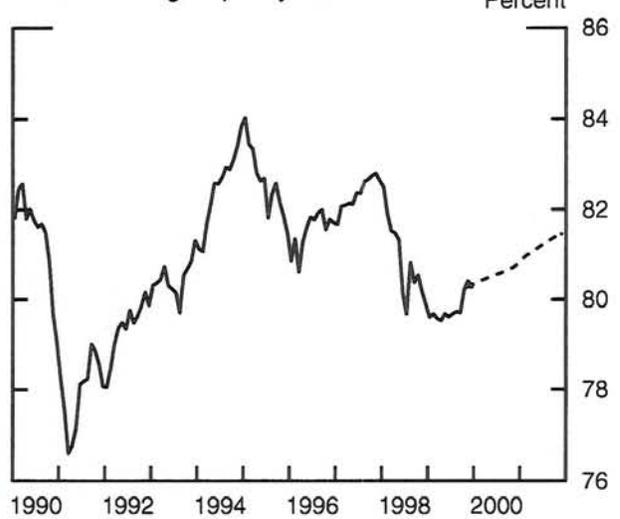
Unemployment Rate



Frequency of GDP Price Acceleration  
Percent of annual observations



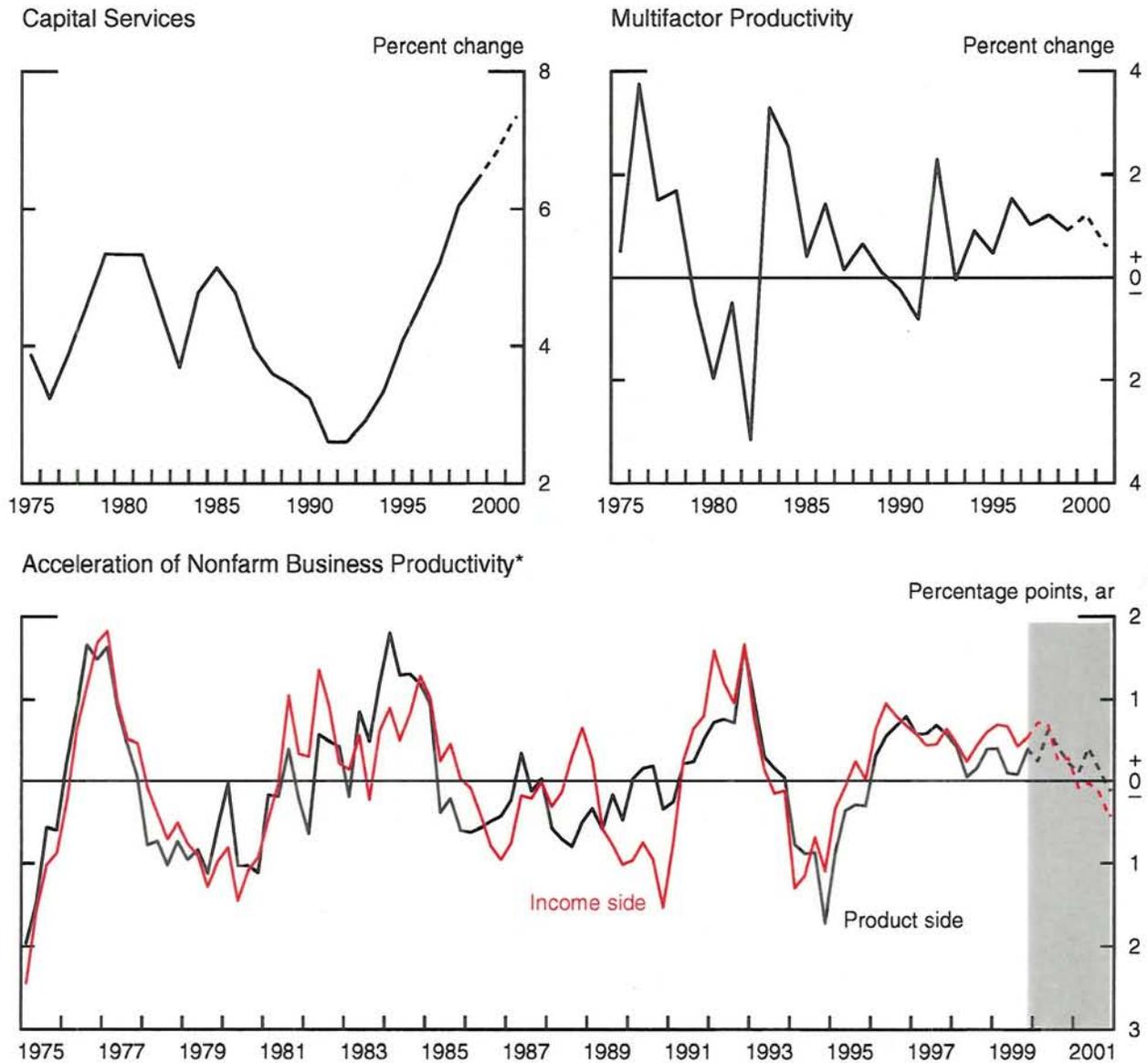
Manufacturing Capacity Utilization



### Supply-Side Components of Potential GDP (Average annual growth rate)

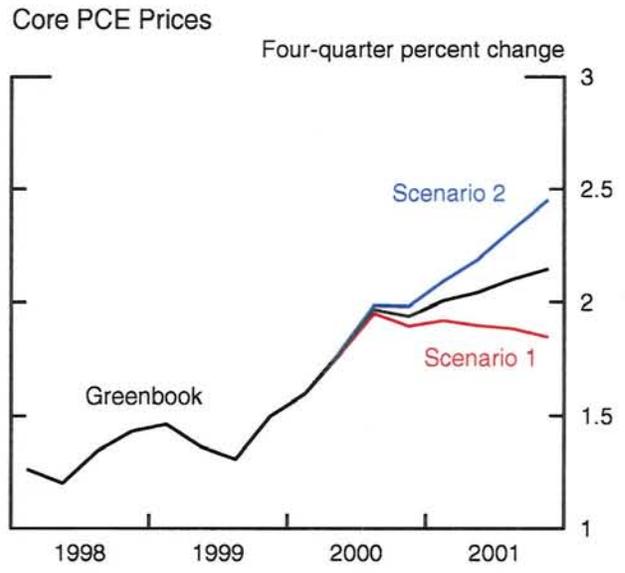
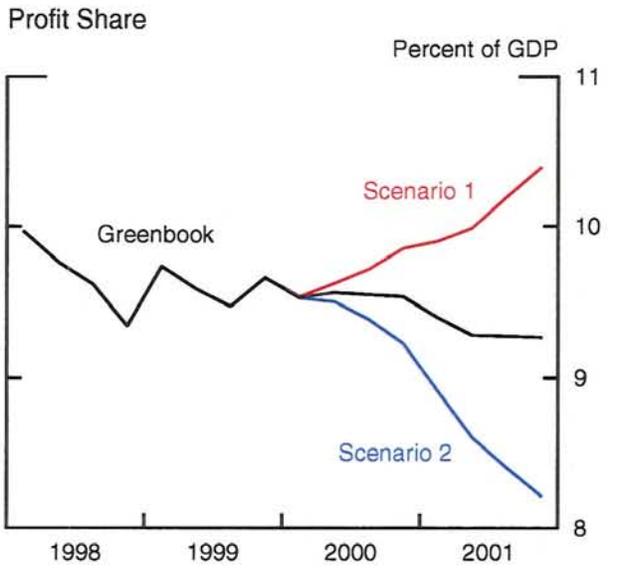
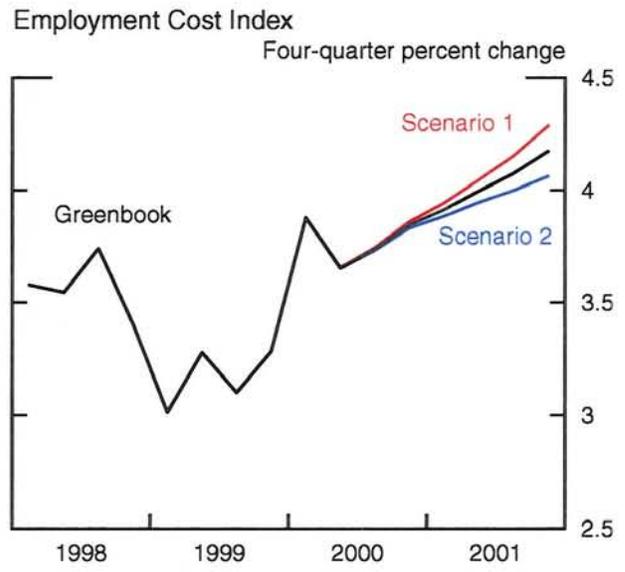
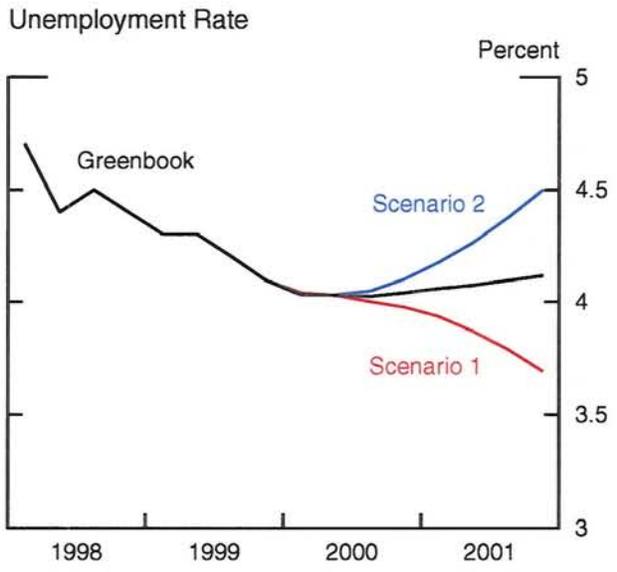
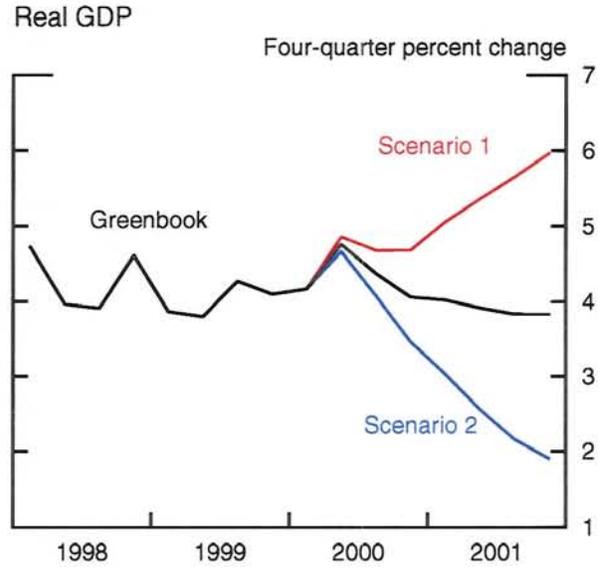
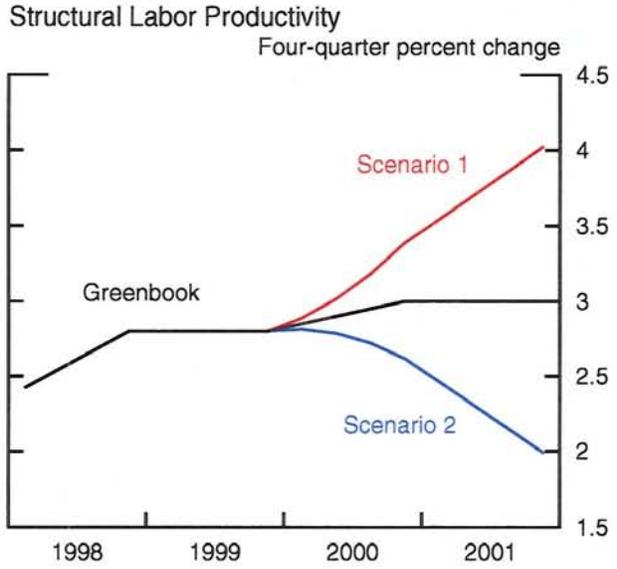
	1980-1990	1991-1995	1996-1997	1998-1999	Projection
					2000-2001
1. Potential GDP	3.0	2.3	3.3	3.8	4.0
2. Labor input	1.6	1.0	1.1	1.1	1.1
3. Labor productivity	1.5	1.5	2.3	2.8	3.0
4. Capital deepening	.8	.5	1.1	1.6	1.8
5. Labor quality	.3	.4	.3	.3	.3
6. Multifactor productivity	.4	.6	.9	.9	.9
7. Technical factors	.0	-.1	-.1	-.1	-.1

Note: Detail may not sum to total because of rounding.



\* Eight-quarter percent change less same measure eight quarters previous.

# Influence of Alternative Productivity Assumptions on the Outlook



**ECONOMIC PROJECTIONS FOR 2000**

	<b>FOMC</b>		
	Range	Central Tendency	Staff
	-----Percentage change, Q4 to Q4-----		
Nominal GDP July 1999 H-H	5 to 6 (4 to 5¼)	5¼ to 5½	6.0
Real GDP July 1999 H-H	3¼ to 4 (2 to 3½)	3½ to 3¾	4.1
PCE Prices	1½ to 2½	1¾ to 2	2.0
	-----Average level, Q4, percent-----		
Unemployment rate July 1999 H-H	4 to 4¼ (4 to 4-½)	4 to 4¼	4.0

Central tendencies calculated by dropping high and low three from ranges.

APPENDIX 3

Charts used by Mr. Whitesell.

*STRICTLY CONFIDENTIAL (FR) CLASS II - FOMC*

*Material for*

*Staff Presentation on Money and Debt Ranges*

February 1-2, 2000

Table 1

**Growth of Money and Debt**  
(percent)

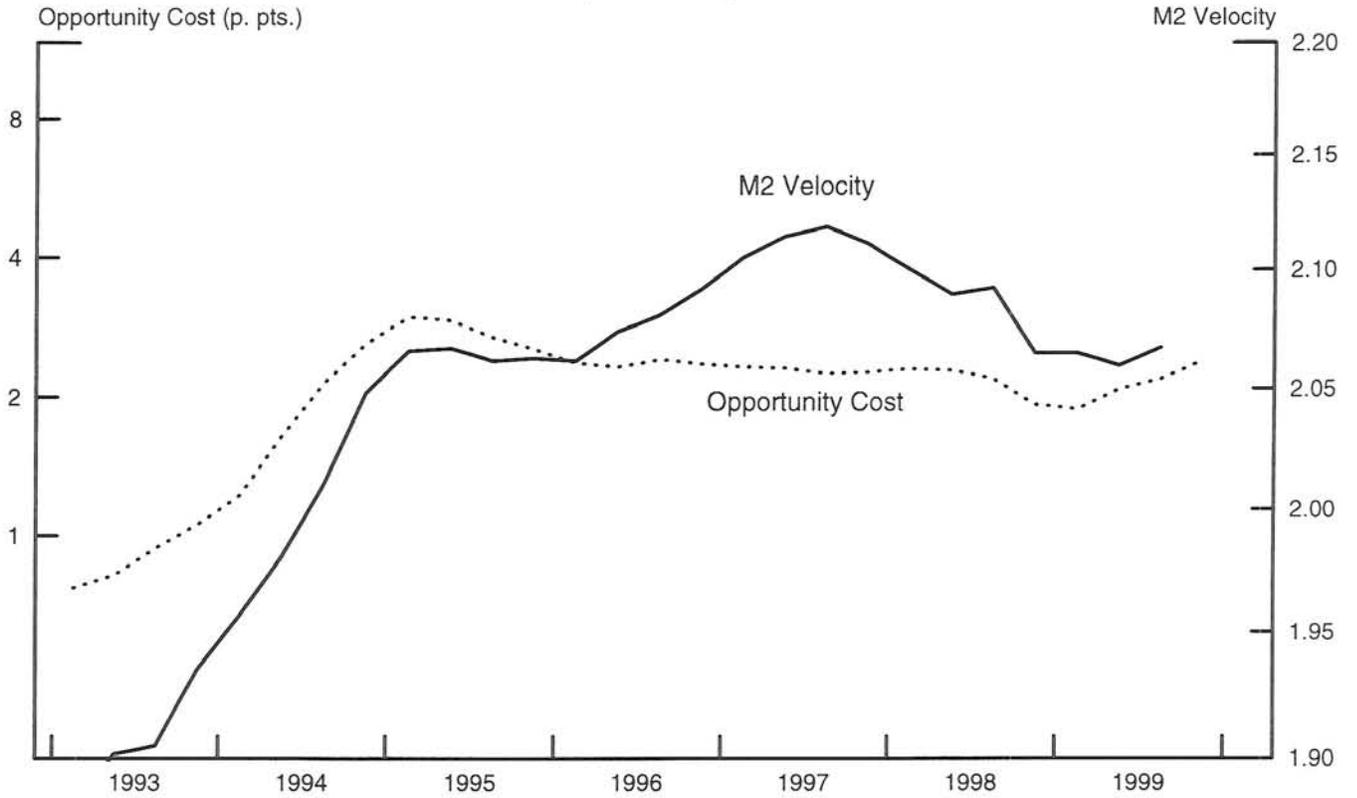
	<u>Memo:</u> <u>1999 Ranges</u>	1999 <u>(Actual)</u>	2000 <u>(Projected)</u>
M2	1 to 5	6.2	4¾
M3	2 to 6	7.6	6¼
Debt	3 to 7	6.6	5¼
<u>Memo:</u> Nominal GDP		5.9	6

Table 2

**Alternative Ranges for Money and Debt in 2000**  
(percent)

	Alt. 1 <u>Provisional</u>	<u>Alt. 2</u>
M2	1 to 5	2 to 6
M3	2 to 6	3 to 7
Debt	3 to 7	3 to 7

Chart 1: M2 Velocity and Opportunity Cost  
(ratio scales)



Note: The scales are set to match the estimation results shown below. Opportunity cost is a two-quarter moving average of the three-month Treasury bill rate less a weighted average of the interest rates on M2 components.

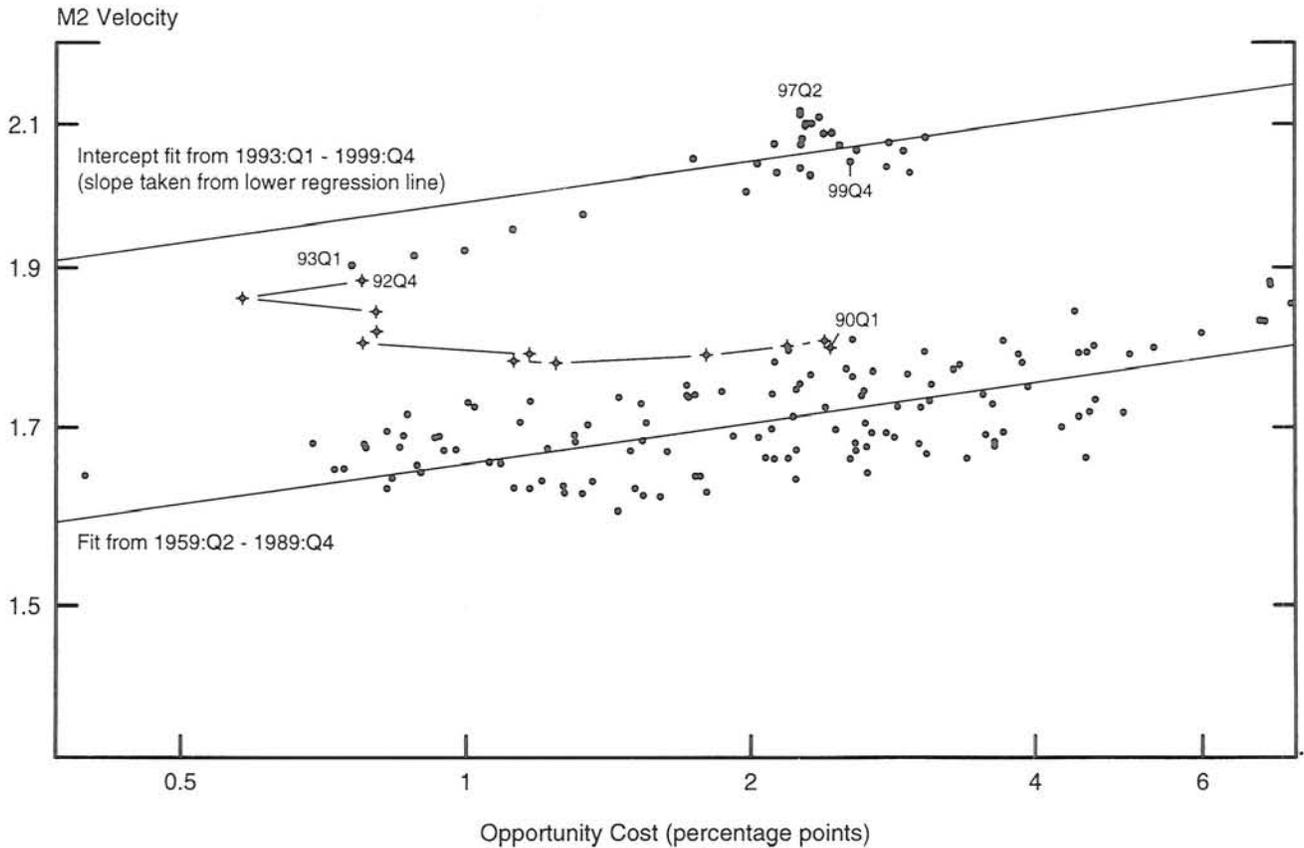
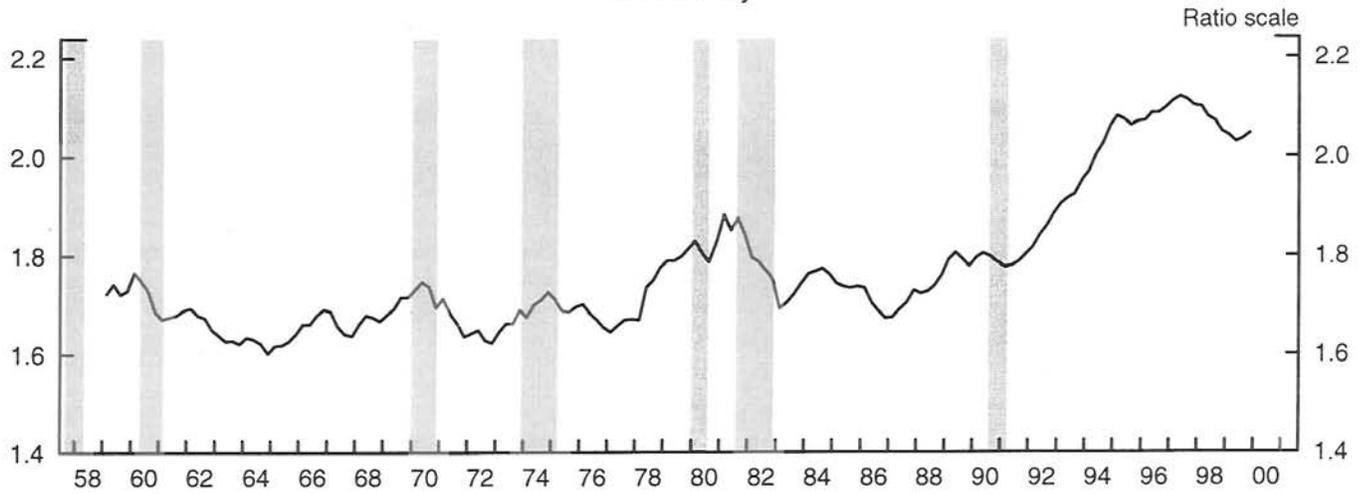
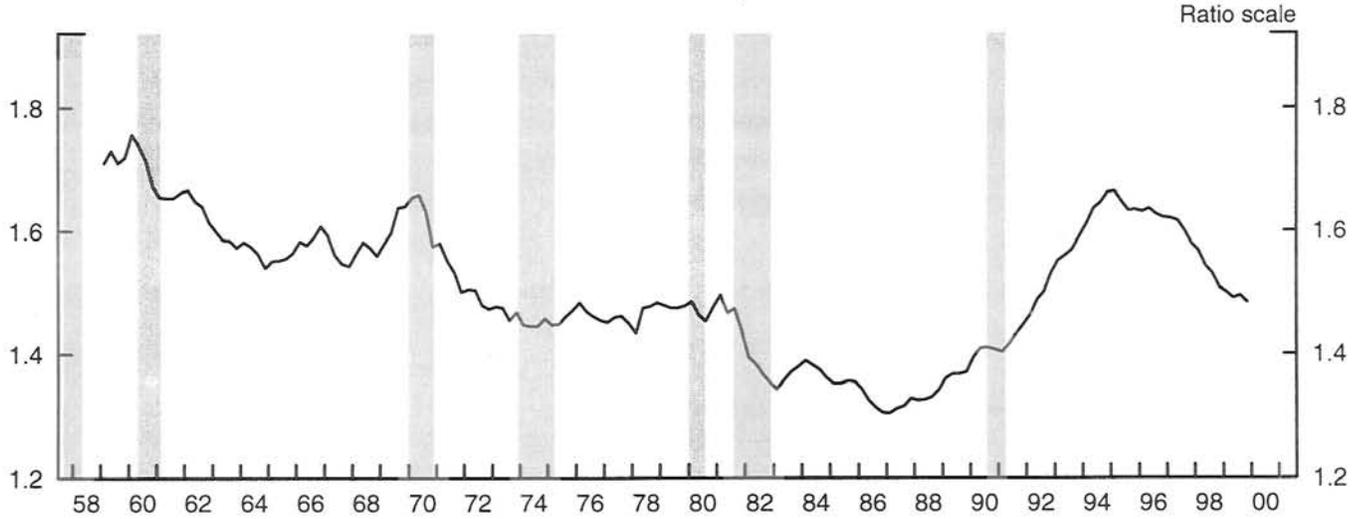


Chart 2

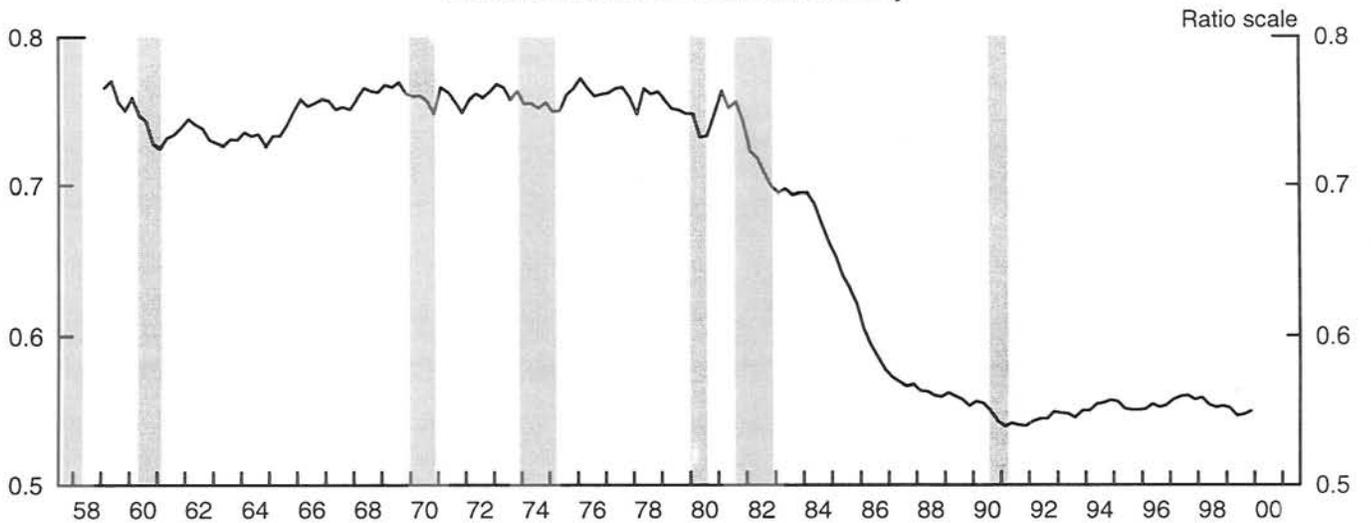
M2 Velocity



M3 Velocity



Domestic Nonfinancial Debt Velocity



Note: Recession shading.